TD/B/1118 (Vol. II)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

TRADE AND DEVELOPMENT BOARD

Thirty-third session
First part
(1-10 September and 3 October 1986)

OFFICIAL RECORDS
Supplement No. 1A (Part I)

Report

UNITED NATIONS

best copy available

TD/B/1118 (Vol. II)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

TRADE AND DEVELOPMENT BOARD

Thirty-third session
First part
(1-10 September and 3 October 1986)

OFFICIAL RECORDS
Supplement No. 1A (Part I)

Report

UNITED NATIONS
New York, 1990

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

* * *

For the recommendations, resolutions, declarations and decisions adopted by the United Nations Conference on Trade and Development, see:

First session: *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No. 64.II.B.11), pp. 18-65;

Second session: *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex I, A, pp. 28-58;

Third session: *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex I, A, pp. 53-114;

Fourth session: *Proceedings of the United Nations Conference on Trade and Development, Fourth Session*, vol. I and Corr.1, *Report and Annexes* (United Nations publication, Sales No. E.76.II.D.10), part one, sect. A, pp. 6-43;

Fifth session: *Proceedings of the United Nations Conference on Trade and Development, Fifth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A, pp. 6-50;

Sixth session: *Proceedings of the United Nations Conference on Trade and Development, Sixth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A, pp. 6-40;

Seventh session: *Proceedings of the United Nations Conference on Trade and Development, Seventh Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.88.II.D.1), part one, sect. A, pp. 6-27.

TD/B/1118 (Vol. II)

ISSN 0503-4116

02300P

CONTENTS

		Paragraphs	Page
	Introduction	1 - 78	1
	Part I: DECISIONS ADOPTED BY THE TRADE AND DEVELOPMENT BOARD AT THE FIRST PART OF ITS THIRTY-THIRD SESSION		15
	Part II: SUMMARY OF PROCEEDINGS	79 - 963	23
Chapter			
I.	SPECIFIC MATTERS ARISING FROM THE RESOLUTIONS, RECOMMENDATIONS AND OTHER DECISIONS ADOPTED BY THE CONFERENCE AT ITS SIXTH SESSION REQUIRING ATTENTION OR ACTION BY THE BOARD AT ITS THIRTY-THIRD SESSION (agenda item 2)	79 - 264	23
	A. Conference resolution 159 (VI): International trade in goods and services: protectionism, structural adjustment and the international trading system	79 - 201	23
	B. Conference resolution 146 (VI): Assistance to the Palestinian people	202 - 264	55
II.	INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM (agenda item 3) DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES (agenda item 4)	265 - 637	74
III.	SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (agenda item 5)	638 - 668	151
IV.	TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS AND ALL TRADE FLOWS RESULTING THEREFROM (agenda item 6)	669 - 811	156
V.	MATTERS REQUIRING ACTION BY THE BOARD ARISING FROM OR RELATED TO REPORTS AND ACTIVITIES OF ITS SUBSIDIARY AND OTHER BODIES (agenda item 7)	812 - 827	183
	A. Commodities	813 - 821	183
	B. Manufactures and semi-manufactures	822 - 827	185
	1. Report of the Special Committee on Preferences on its fourteenth session ...	822 - 824	185
	2. Report of the Committee on Manufactures on its eleventh session	825 - 827	186

TD/B/1118(Vol.II)
GE.90-51172/1937B

READEX

CONTENTS (continued)

Chapter		Paragraphs	Page
VI.	OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT (agenda item 8)	828 - 871	187
	A. Specific action related to the particular needs and problems of land-locked developing countries (agenda item 8 (a))	828 - 846	187
	B. Export promotion: report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its nineteenth session (agenda item 8 (b))	847 - 865	190
	C. Progressive development of the law of international trade: nineteenth annual report of the United Nations Commission on International Trade Law (agenda item 8 (c))	866 - 871	194
VII.	PROGRAMME EVALUATION IN UNCTAD (agenda item 9) ..	872 - 889	195
VIII.	CLOSING STATEMENTS AT THE FIRST PART OF THE THIRTY-THIRD SESSION OF THE BOARD	890 - 911	200
IX.	PROCEDURAL MATTERS, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS (agenda items 1, 10 and 12)	912 - 963	203
	A. Opening of the session	912	203
	B. Election of officers (agenda item 1 (a))	913	203
	C. Treatment of new States members of UNCTAD for purposes of elections (agenda item 10 (a))	914	203
	D. Announcement of any changes in the membership of the Board and election to membership of main committees (agenda item 10 (b))	915 - 917	204
	E. Adoption of the agenda and organization of the work of the session (agenda item 1 (b))	918 - 927	204
	1. Report of Sessional Committee I	920 - 922	204
	2. Report of Sessional Committee II	923 - 927	204

CONTENTS (continued)

Chapter		Paragraphs	Page
F.	International Year of Peace	928 - 930	205
G.	Membership and attendance	931 - 937	205
H.	Membership of the Working Party on the Medium-term Plan and the Programme Budget for 1987 (agenda item 10 (c))	938	207
I.	Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure (agenda item 10 (d))	939	207
J.	Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure (agenda item 10 (e))	940 - 942	207
K.	Review of the question of the timely issuance of UNCTAD documentation in all official languages and the rational use of conference resources (agenda item 10 (f))	943 - 947	208
L.	Scheduling of sessions of the Board (agenda item 10 (g))	948 - 952	209
M.	Provisional agendas for the thirty-fourth regular and sixteenth special sessions of the Board and organization of the work of the sessions (agenda item 1 (d))	953 - 954	209
N.	Review of the calendar of meetings (agenda item 10 (h))	955 - 956	210
O.	Adoption of the report on credentials (agenda item 1 (c))	957 - 960	210
P.	Administrative and financial implications of the actions of the Board (agenda item 10 (i))	961	210
Q.	Adoption of the report of the Board (agenda item 12)	962	211
R.	Closure of the first part of the thirty-third session	963	211

CONTENTS (continued)

ANNEXES

		Page
I.	Agenda for the first part of the thirty-third session of the Trade and Development Board	212
II.	President's summary and conclusions in respect of agenda items 3 and 4	214
III.	Seventh session of the United Nations Conference on Trade and Development: Preparations for the session	217
IV.	Revised provisional agenda for the second part of the thirty-third session of the Board	222
V.	Trade relations among countries having different economic and social systems and all trade flows resulting therefrom: Summary by the Chairman of Sessional Committee II	224
VI.	Statement by the delegation of the United States of America on agenda item 5	226

INTRODUCTION

1. The thirty-third session of the Trade and Development Board was opened on 1 September 1986 by Mr. Witold Jurasz (Poland), the outgoing President.

2. In his opening statement Mr. Jurasz observed that the central message of the Trade and Development Report, 1986 1/ was that deflationary forces now constituted the most pervasive threat to world prosperity as well as the most important impediment to the restructuring of national economies and international relationships. He recalled that the Secretary-General of UNCTAD, at the most recent session of ECOSOC, had warned that unless global deflationary tendencies were surmounted, the debt and development prospects of developing countries would remain grim. Indeed, the likelihood of over-deflation of the world system was most commonly stressed. The world economy might thus reach a low-level equilibrium, allegedly optimal from a myopic point of view but clearly sub-optimal in a more far-sighted perspective. It was, therefore, imperative that the emerging willingness to engage in policy co-ordination be strengthened and directed towards the revitalization of growth and development.

3. The debate on interdependence at the thirty-second session had shown a growing perception at the national policy level of the need to search for global solutions of the debt problem and strengthen international co-operation as regards exchange rates and monetary questions. Many delegations had felt that prevailing policies in the areas of money, finance and exchange rates had in practice fuelled the forces of protectionism and hampered development in many countries. Therefore, the objectives of preserving and strengthening the multilateral trading system and overall development capacity needed to be pursued in conjunction with the reform of international monetary relations, and the protectionist wave must be held back.

4. It had been argued that positive economic phenomena were primarily geared to reducing imbalances within the OECD rather than designing measures for the resumption of development worldwide. The importance of the reduction of political tensions and disarmament for development had also been pointed out, as there could not be social and economic progress without peace.

5. The modern world had become too small and too fragile for economic wars or even economic skirmishes. Hence, the role of multilateral economic diplomacy should increasingly consist not merely in prevention but in generating genuine international compromise, reconstructing confidence in international economic relations, and creating favourable conditions for international economic security.

6. An unavoidable question was how UNCTAD might best structure incentives for intergovernmental co-operation. Governments had to be persuaded that they had enough common interest to negotiate; retreat from multilateralism or global unilateralism in the 1980s could be as expensive an illusion as isolationism more than a half a century earlier.

7. He remained convinced that there were sufficient grounds for cautious optimism. As the Secretary-General of UNCTAD had pointed out, now that risks of inflation were minimal, there was an alternative to the present approach, namely, to adopt collectively agreed policies that would revive growth and create an environment in which developing countries could adjust through development.

8. UNCTAD VII should provide an opportunity for responsible deliberation, analysis and conceptual innovation, to be followed by meaningful negotiations and understanding on policy approaches and action in a number of important areas including money and finance, commodities and trade, as well as the special problems of the LDCs and innovative approaches to trade and economic co-operation among countries having different economic and social systems.

9. The thirty-second session might well be viewed as having marked the initiation of a preparatory process for UNCTAD VII. It remained to be hoped that the understandings painstakingly reached on the provisional agenda and the organization of work would facilitate the substantive preparations for the Conference.

10. At UNCTAD VII Governments should resist the temptation to seek marginalist accomodation only; an accomodative strategy was presumably expected to produce marginal gains in non-conflictual sectors while the dilemma of purpose versus reality was resolved to the obvious detriment of the former.

11. Realism was needed as a sound basis for objective judgements on what was feasible. Even in a politically and economically adverse environment UNCTAD should not passively accept the remaining areas of congruent interests but should rather try actively to broaden them and to promote international economic co-operation for development.

12. He earnestly hoped that the negotiation function would not be further eroded in UNCTAD. The most recently heralded deliberation, so dangerously close to mere contemplation, entailed the risk of turning UNCTAD into an uneasy amalgam of a debating society and a collection of functional bodies. Debate without effective action eroded the credibility of the organization. It was thus insufficient to indulge in a course of action which solely perpetuated the status quo.

13. In his opening statement, the incoming President, Mr. Alfarargi (Egypt) observed that the thirty-third session of the Board constituted a major milestone in the preparations for the seventh session of UNCTAD. It was of vital importance that delegations concentrate all their collective efforts to arrive at a final decision on the agenda, organization, place and date of the seventh session of UNCTAD in the full knowledge that the General Assembly was expecting their recommendations. The credibility of UNCTAD was at stake and the Board could not afford to fail the expectations of the General Assembly.

14. Agenda items 3 and 4, on interdependence and debt, would have an equal bearing and major impact on preparations for UNCTAD VII. The Trade and Development Report 1986, which was most timely given the precarious world economic situation, provided a unique opportunity to enter into a meaningful dialogue and to reach a better understanding of the reasons for the faltering global economy. Under item 2, the Board was to review developments in the international trading system and the secretariat had prepared a background document, its thrust being that international negotiations could only achieve the goal of a strengthened and improved trading system if firmly based on an international consensus as to what should be the main characteristics of such a system. This review could make a major contribution to the consensus-building process. He hoped that the debate on these items

could be carried one step further, whereby more specific and intensive consultations among all Groups could lead to concrete and action-oriented common understandings to pave the way for policy decisions at a later stage in UNCTAD or other relevant forums.

15. He pointed out that the work of Sessional Committee II assumed a significance in that there had for sometime been virtual stalemate and lack of momentum in the area of trade among countries having different economic and social systems. It was his hope that at the current session sufficient progress could be made and some momentum regained.

16. Commenting on the current world economic situation and related policy trends, the Secretary-General of UNCTAD drew attention to the Trade and Development Report 1986 and, summarizing its salient features, stated that victories had been scored by developed market-economy countries in their fight against inflation but at the expense of a renewed slow-down in growth and a strengthening of world deflationary pressures which had for several years sapped the vitality of the world economy. Investment remained depressed and unemployment in Europe and in developing countries remained high. The debt and development crisis continued unabated for most developing countries, their export volume remained stagnant, and commodity prices were historically depressed. Trade conflicts and the vulnerability of financial institutions to slow growth and low commodity prices were growing. These considerations had led him to identify deflationary forces as the most pervasive threat to world prosperity and the main impediment to the restructuring of national economies and international economic relations. Therefore it was imperative that developed market economies opt for faster growth, lower real interest rates, widened access to their markets and improved concessional flows.

17. In order for these measures to be effective, complementary policies of a longer-term nature affecting economic structures and systems of all countries, nationally and internationally, were required. Developing countries, notwithstanding any relaxation of external constraints, needed to strengthen their own structural policies designed to raise savings and investment, bring about price stability, improve efficient resource use and foster productivity and competitiveness. There was also a need for developed countries to pursue structural policies aimed at sustaining rapid growth and adjusting patterns of production and trade.

18. The socialist countries of Eastern Europe were paying attention to such factors in the process of modernization, structural transformation and reform. The momentum in favour of trade oriented growth and participation by these countries in the international division of labour offered potential for the mutually beneficial expansion and diversification of the trade and economic relations of these countries. In considering the concept of international economic security, promulgated by these countries, attention should be paid to ways of giving reality to those elements which command general acceptance.

19. Referring to the key areas of UNCTAD's work, he stated that the GATT Ministerial Meeting to be held in Punta del Este had the formidable task of restoring credibility to the international trading system. While calls for the liberalization of world trade continued, protectionism and subsidies were not retreating, and the erosion of multilateralism in the world trading environment was gaining momentum through unilateral action and attempts at bilateral solutions. In reviewing the trading system and

the question of the role of services in the development process, the Board could contribute to a satisfactory outcome at Punta del Este. In underlining UNCTAD's role vis-à-vis the prospective new round, he expressed the hope that, as in the past, UNCTAD would be enabled to provide technical assistance to participating developing countries.

20. Turning to the related question of trade among countries with different economic and social systems, he stated that work on this aspect of trade policy would benefit from better integration - at both intergovernmental and secretariat levels - in the overall approach to trade and development problems, an approach which had begun in preparations for UNCTAD VII.

21. Referring to the persistent slump in commodity prices, he stated that the underlying factors were both cyclical and structural. Agricultural protectionism continued to restrict efficient producers. Measures were needed to improve conditions of the market. Complementary action for commodity related shortfalls was receiving the attention of Governments. While the recently concluded International Cocoa Agreement and the activation of the International Tropical Timber Agreement provided hope for reviving confidence in such co-operation, much more needed to be done through multilateral efforts. Urgent action was required to bring the Common Fund into operation. The preparations for UNCTAD VII and the Conference itself provided Governments with an opportunity to review options and adopt appropriate policies to enhance the contribution of the world commodity economy to development.

22. Looking at the question of debt, he pointed out that the indebtedness of the developing countries continued to be a dead weight on their own development and on the world economy. Internal adjustments made to improve the external balance had been at the expense of import capacity and investment and hence the capacity to grow and to service debt in the long term. The approach underlying the recently created structural adjustment facility in IMF and the Baker initiative for major debtor countries placed the debt and growth problem of developing countries in a longer-term perspective. It recognized that the current difficulties were not transitory and that structural factors needed to be addressed. However, it focused essentially on externally supported policy reform in debtor countries and had not been placed squarely in the context of a coherent international strategy for reviving growth in the world economy. The amounts of additional financial support were inadequate to loosen current constraints on the growth of developing debtor countries.

23. He pointed to the desirability of widening the range of measures available to deal with international debt problems, which remained much narrower than that available for dealing with troubled debtors in the domestic economies of some developed market-economy countries. Proposals such as the possible temporary reduction of interest rates below reference levels and the linking of interest payments to the price of the debtor's major export commodity could be more seriously considered.

24. As to the situation of the least developed countries, the Secretary-General said that despite courageous adjustment efforts undertaken by many of them and positive measures taken by a number of donors, their general economic situation had hardly improved in the first half of the 1980s. While the progressive deterioration in their economic performance appeared now to have been arrested, the foreign exchange earnings

of least developed countries from exports and remittances had declined, and their debt situation had worsened. Moreover, financial resources for development had continued to be insufficient. Under these circumstances, concerted and intensified efforts were called for to accelerate the effective implementation of the SNPA.

25. Referring to the special session of the General Assembly on the critical economic situation in Africa, he stated that it had required considerable political courage on the part of the African countries as a group to depart from previous practice and discuss their domestic policies in a dialogue with their development partners in the setting of the Assembly. This would be justified if the African commitments aroused a commensurate and tangible response from Africa's partners in that dialogue.

26. The Secretary-General suggested that forthcoming intergovernmental deliberations on shipping and technology could provide inputs to the overall assessment of the state of development, growth and trade which would be the backdrop for action by the Conference. He referred in this connection to the impact of new and emerging technologies on trade and development and to the prevailing imbalances in shipping and shipbuilding capacities.

27. Economic co-operation among developing countries was an area to which he attached great importance. The decision taken by the States members of the Group of 77, in Brasilia in May 1986, to launch the first round of negotiations for the establishment of the Global System of Trade Preferences stood as an important landmark. The UNCTAD secretariat stood ready to contribute to the successful conclusion of these negotiations. It was also of great satisfaction to note that the Cairo Declaration adopted at the previous month's High Level Meeting of the Group of 77 on ECDC had called for action in areas of South-South co-operation beyond trade liberalization.

28. Turning to management issues, he stressed the importance of mobilizing to the full the experience and talents of the secretariat, particularly in preparing for UNCTAD VII. A number of reassignments of staff were being finalized in that context; additional requirements arising from the preparatory process for the Conference would be kept under continuing review.

29. At the interdivisional level, a Steering Committee had been established to assist the Secretary-General in guiding and monitoring internal preparations for the Conference. A special interdivisional Task Force had also been established within UNCTAD to identify, co-ordinate and monitor the actions to be taken by UNCTAD to ensure the effective implementation of those aspects of the Programme of Action for African Economic Recovery and Development falling within UNCTAD's competence.

30. Turning to the financial crisis of the United Nations, he noted that the economy measures imposed on UNCTAD, including a continuing freeze in external recruitment and major cutbacks in respect of all operating expenses, had severely constrained its work. Nevertheless, the secretarit had endeavoured to maximize savings in the past few months and reviewed staff assignments, so as to ensure that the secretariat would not be unduly handicapped by resource constraints as it entered the coming phase of intensive preparations for the Conference.

31. He added that the financial prospects for the Organization for 1987 remained highly uncertain and further indicated that the UNCTAD secretariat intended to contribute constructively to the process of consultations which the Secretary-General of the United Nations was expected to initiate on the recommendations at the Group of High-Level Intergovernmental Experts established by the General Assembly to review the efficiency of the administrative and financial functions of the United Nations.

32. He also referred to the further progress made in considerably reducing the number and volume of documents presented to UNCTAD intergovernmental bodies, but noted that the potential benefit to the UNCTAD membership in terms of timely issuance and distribution of documentation had been greatly diminished because of the sharp reductions in the resources available to UNOG for its processing. He drew attention to the information being provided to the Board on the outcome of the first round of self-evaluation studies undertaken by the staff, which were contributing to a process of self-scrutiny and adaption within the Secretariat.

33. Finally, he stressed the priority he attached to strengthening the role of UNCTAD in technical co-operation and referred to the important contribution which such assistance could make to consensus building and the effective implementation of international agreements. For this, the secretariat needed first and foremost an expanded resource base, but also improved internal arrangements.

34. In conclusion, the Secretary-General called for the Board to advance mutual understanding in the substantive areas on its current agenda, to dispose of outstanding issues relating to the rationalization of its work and to take action pertaining to the provisional agenda, place, date and duration of UNCTAD VII. The current session was the last opportunity to take such action if substantive and logistical preparations were not to be impaired.

35. The spokesman for the Group of 77 (Bahrain) said that the consultations on arrangements for UNCTAD VII had reached a stage at which a final decision on these matters could be taken at the current session. His Group considered it imperative that such a decision be taken without any further delay.

36. The outcome of the session could be the beginning of a renewed faith in multilateral economic diplomacy and in the relevance of UNCTAD as the main international forum for negotiations that was capable of orienting multilateral action in support of the revitalization of development, growth and international trade.

37. The Trade and Development Report 1986 had once again provided a clear analysis of the problems facing the international community. He noted the attention that the Report had received in the media, which was a recognition of the technical competence of the UNCTAD secretariat. He also expressed appreciation for the statement by the Secretary-General of UNCTAD.

38. The Group of 77 agreed that the process of deflation starting in 1979 had hindered world economic recovery and prolonged the crisis of debt and development. The generalized protectionist practices of industrialized countries had also contributed to international economic imbalance and stagnation. His Group fully shared the view that the mixture of demand

weakness and financial tightness had not only been a menace to stability but had also been sapping the vitality of much of the world economy. Testimony to this was the continued sluggishness in world output, excess capacity, and high unemployment in all countries. For developing countries the situation was alarming as a consequence of the collapse of commodity prices, including oil prices, with no signs of recovery and the continued weakness of demand in the developed market-economy countries.

39. It had become evident that the deflationary policies adopted by major developed market-economy countries had become the single most pervasive threat to recovery and world prosperity. While the defeat of inflation was a major achievement, it was high time that industrialized countries co-ordinated their economic policies in order not only to correct the trade imbalances among themselves but also to cut real interest rates and to stimulate global growth, which depended on realizing the potential demand in developing countries. In consequence, structural adjustment and concrete long-term measures were urgently needed.

40. The extreme financial squeeze had derailed the development process, and developing countries were faced with a continuing crisis of both development and debt and consequent repercussions on the international financial system, with the spectre of insolvency for some countries. It was therefore of the utmost importance for the international community to adopt new directions in international trade and economic policies. In particular, healthy financial policies in industrialized countries should be implemented, eliminating subsidies to important economic sectors.

41. The plight of many developing countries had been further worsened through natural disasters. The alarming economic crisis in most of the least developed countries had indeed deepened, further impairing their extremely limited capacity to deal with the most formidable structural problems they were faced with. To reverse the trend it was imperative to adopt a pragmatic and constructive approach and intensify efforts to restructure national economies and international economic relationships. The international community had to look for far-reaching solutions to the current interdependent economic issues, viz. the commodity crisis, debt, finance, trade and development.

42. The current session was a unique opportunity to make an in-depth analysis of the Report and to arrive at concrete understandings and conclusions on interdependence and debt which could guide the economic policy-makers of all member States. The Group of 77 called on all the other Groups to join in this effort. It was ready to engage in consultations to this end, as suggested some months earlier by the Secretary-General. This would be a constructive process and would enhance the impact of the Board's action on interdependence and debt.

43. The Group of 77 had all along maintained that the review of developments in the international trading system under Conference resolution 159 (VI) ought to be a continuing exercise - all the more so since the developments in international trade had been disturbing, particularly over the last few years. In fact, things had only tended to become progressively worse from the point of view of the developing countries. It was, therefore, a matter of some satisfaction that, at long last, all Groups were committed to engaging in a detailed review of developments in this field.

44. At the previous session and in the Committee on Manufactures his Group had made proposals to this end but there had been no substantive negotiation of them. Meanwhile, recent developments in the international trading system had continued to place it under ever-increasing strain. He therefore hoped that all Groups and members of the Board would seize the present opportunity for an in-depth review of the international trading system.

45. Referring to the impending ministerial meeting in Punta Del Este to decide on the launching of a new round of trade negotiations in GATT, he said different proposals had been made in respect of the objectives, subject matter and participation but no common view had emerged. He hoped that a consensus would be reached so that in areas of interest to developing countries - such as agriculture, subsidies, textiles and clothing - some decisions would be taken which would enhance the access of developing countries to markets of the developed countries.

46. The Group of 77 had noted the importance the Secretary-General of UNCTAD attached to improved management and increased efficiency of the secretariat. As to the results of the first round of internal evaluations, the Group of 77 welcomed the commitment made by the secretariat at the thirty-first session of the Board to the establishment of a system of management-oriented evaluation in UNCTAD. It appreciated document TD/B/1110 and recognized the internal character of the management-oriented evaluation; the report provided adequate transparency.

47. The Group of 77 was participating in efforts in New York to make economies in the United Nations and to improve its efficiency as a whole. He expressed concern, however, that actions which affected UNCTAD should not be taken without very careful assessment of their impact on the effectiveness of the institution and its secretariat. It was of paramount importance to the Group of 77 that such actions did not adversely affect the functioning of UNCTAD on the eve of UNCTAD VII.

48. Turning to item 7, he said that, with regard to commodities not covered by international commodity agreements or arrangements - which constituted the majority of IPC commodities - the Group of 77 hoped that the consultations being held by the Secretary-General of UNCTAD in pursuance of resolution 22 (XI) of the Committee on Commodities would result in the revival of intergovernmental discussions on some or a majority of the commodities concerned which had not been the subject of recent attention within UNCTAD. Those commodities, by and large, presented problems which were more serious than when the IPC had been first adopted in 1976. The Group of 77 suggested that the Secretary-General should immediately intensify his consultations so that a range of review meetings on key commodity issues could be held in advance of UNCTAD VII.

49. As to item 8, the particular problems which land-locked developing countries faced continued to be of major concern to the international community. Most of these countries were among the least developed countries and thus their geographical disadvantages constituted an additional burden which made their economies extremely vulnerable. The present assistance efforts had not been adequate and it was therefore necessary that the international community implement fully the relevant UNCTAD and General Assembly resolutions.

50. In respect of item 6, he noted that no substantial progress had been made since UNCTAD IV. In the light of proposals in document TD/B/1104, it was time to re-examine the informal text annexed to Conference decision 145 (VI). During the present session delegations should seek a serious breakthrough on the item. The Group of 77 was eager to enhance and expand trade with the socialist countries of Eastern Europe and looked to UNCTAD to help achieve this aim. It was high time to work out a new approach commensurate with the needs and requirements of the late 1980s and 1990s. The Group of 77 expected that, in accordance with Board decision 321 (XXXI), a meeting of an ad hoc group of experts would be convened prior to UNCTAD VII to consider prospects for trade and economic co-operation among countries having different economic and social systems, in particular between developing countries and socialist countries of Eastern Europe. The present session should mark a point of departure.

51. Three major events had taken place since the last regular session. The first was the special session of the General Assembly on the critical situation in Africa during which the entire international community had entered into a partnership with the continent with a view to resolving those problems. With the full support of the international community, UNCTAD was also expected to play a key role in the implementation of the outcome of the session.

52. The second event was the Ministerial Meeting of the GSTP Negotiating Committee in Brasilia. The Group of 77 took much pride in its contribution to the ECDC process and, in particular, the outstanding results, already achieved in relation to the GSTP negotiations. At a time when multilateralism had come under attack and faced stalemate, it had demonstrated the political will to forge economic co-operation among developing countries in a manner that could not escape the attention of the world community. Developing countries had demonstrated that they had the capacity and the will to strive for a more just and equitable international economic relationship.

53. The GSTP Negotiating Committee had undertaken a heavy work-load in Geneva to observe the timetable adopted by the Ministers; four working groups had been set up to prepare the basic documents on GSTP. Forty-seven Ministers and Heads of Delegation of countries members of the Negotiating Committee present in Brasilia had signed the Final Act, their signature being the evidence of their countries' political will to take the necessary steps to give appropriate effect to the documents adopted in Brasilia. The Secretary-General of UNCTAD had attended the meeting, in his capacity as leading officer of the executing agency of the GSTP project.

54. The adoption of the Agreement and the Final Act were events of historic significance, for this was the first time that developing countries members of the Group of 77 had formulated a global instrument to enhance mutual trade. The launching of the First Round of negotiations had been a decisive step forward in their endeavour to make the concept of a Global System of Trade Preferences into an operational reality.

55. The third event was the High Level Meeting on Economic Co-operation among Developing Countries from 18 to 23 August in Egypt, the results of which had been most successful. This Meeting had taken place on the eve of major

international events such as the current Board session, the Non-Aligned Summit in Harare, Zimbabwe, and the Meeting at Ministerial Level of the Contracting Parties of GATT. The Cairo meeting would thus provide a major input into the above meetings.

56. In the Second Cairo Declaration the Group of 77 had agreed:

(i) To encourage greater mobility of capital, human and scientific and technological resources across borders among developing countries, inter alia, through appropriate policies, procedures, rules and regulations;

(ii) To give particular attention to promoting the pattern of production, consumption and trade to reflect the imperative of economic co-operation among developing countries;

(iii) To engage without delay in negotiations for putting in place the necessary institutional and policy infrastructure in the related areas of money, finance, trade and industry to promote ECDC including specifically:

(a) Successful conclusion of the GSTP negotiations within the time frame already agreed upon;

(b) Establishment of the necessary monetary and financing underpinning for expanded trade flows among developing countries including trade between state trading organizations;

(c) Strengthening the institutional framework in the field of commodities, including producers' associations, the Council of Producers' Associations and consultative groups, as appropriate, in order to improve the market conditions and ensure increased earnings for primary commodities of export interest to them;

(d) Joint projects for the utilization of natural resources and enhancement of productive capacities, including the establishment of joint ventures;

(e) Strengthening the flow of and access to information supportive of ECDC by drawing upon and fully utilizing all existing networks within the United Nations system, regional organizations, and establishing a multi-sectoral information network, as soon as possible.

57. Also, in view of the critical economic situation in Africa, it had been agreed to promote economic co-operation with the affected countries and to extend all possible support to them in the implementation of their rehabilitation and development programmes.

58. Two resolutions had been adopted at Cairo. The first recommended to the Contracting Parties of GATT that South Africa be excluded from the forthcoming multilateral trade negotiations beginning in Uruguay in September 1986. The second resolution called for support for the Palestinian people to enable them to improve their economic and social development and participate fully in ECDC activities.

59. He reaffirmed the Group of 77's intention to make the current Board session an event in which to take pride as the beginning of a new phase in international multilateral co-operation which could lead, step by step, to UNCTAD VII with greater reassurance, mutual understanding and political will.

60. The spokesman for Group D (Bulgaria), speaking also on behalf of Mongolia, said that at its current session, the Board faced an important task, namely agreeing upon the draft agenda for UNCTAD VII and resolving other problems connected with preparations for the Conference. All that had to be done at the current session in order to allow timely and effective preparations for UNCTAD VII. At the thirty-second session of the Board, the socialist countries of Group D and Mongolia had presented their ideas on the preparations for UNCTAD VII, including its agenda. Those proposals continued to serve as the basis for the approach of the socialist countries of Group D and Mongolia to the problems connected with the convening of UNCTAD VII.

61. It must be emphasized that, given the growing interdependence of States, it was becoming more and more difficult, if not impossible, for problems to be resolved by individual States or within a particular group of States. All States must combine their efforts, regardless of their social and political system. Within this context, UNCTAD VII must be made into an important stage in the process of establishing a reliable system of international economic security through the restructuring of international economic relations on a just and democratic basis.

62. The world was currently going through an alarming and important phase of its development, requiring political will, a new approach, far-sighted decisions and practical measures for the radical improvement of the international situation. Efforts to resolve the problems of economic development were being increasingly hindered by the escalating arms race provoked by the forces of aggression. UNCTAD must raise its voice and work for the implementation of the principle of disarmament for development.

63. The broad and realistic peace initiatives recently taken by the socialist community were aimed not only at strengthening international security but also at releasing resources through disarmament for development needs. The statement by Mr. Gorbachev, General Secretary of the Central Committee of the Communist Party of the Soviet Union, on 18 August 1986 represented a major new step in that direction, since the Soviet Union had thereby announced the extension of its moratorium on nuclear testing until 1 January 1987. The halting of nuclear testing in the United States as well would represent a genuine breakthrough in efforts to achieve a peaceful world.

64. Group D and Mongolia considered that attention at UNCTAD VII should be concentrated on such urgent trade policy problems as the implementation of effective measures to counteract the growing erosion of the trading system, the strengthening of trust and mutual understanding in international economic relations and eradication of the use of economic measures as a means of political and economic coercion. In the financial field, the main problem that had to be tackled was the unprecedented external indebtedness of the developing countries and the growing outflow of resources from them. A critical situation had developed in world commodity trade. UNCTAD VII should provide an opportunity for making progress on issues relating to

the development of equitable and mutually advantageous trade and economic relations between countries with different social and economic systems and for giving due consideration to the situation of the least developed countries.

65. At its current session, the Board was to review developments in the international trading system. That was an extremely important trade policy issue, since the world trade situation gave rise to serious concern. That review was being carried out on the eve of the ministerial meeting of GATT. The Board must pursue its in-depth analysis of the reasons for the unsatisfactory situation in the world trading system from the point of view of the interests of all States, with a view to formulating objective recomendations aimed at improving the situation in that area. Such reviews should become a regular, annual feature of UNCTAD activities, regardless of what was happening in other forums. The current situation was such that any opportunities at the multilateral or bilateral level must be taken to improve the climate of international trade.

66. During the Board's session, Sessional Committee II would be carrying out its regular review of trade relations among countries having different economic and social systems. The time had come to concentrate on working out, within the framework of UNCTAD, a constructive programme of action aimed at the further development of trade between countries having different economic and social systems, bearing in mind the forthcoming UNCTAD VII. The delegations of Group D and Mongolia intended to play a constructive role in the work of Sessional Committee II. However, they considered that certain aspects of trade relations among countries having different systems could be discussed in plenary and in Sessional Committee I as part of the review of developments in the international trading system. The problems of trade among countries having different systems should be considered not in isolation but whenever possible in connection with the other substantive issues dealt with by UNCTAD. Such an approach would be all the more appropriate in the light of the objective increase in the interdependence of States and the problems faced in present-day international trade and economic co-operation.

67. Given the necessary political will on the part of all States members, the Board, at its thirty-third session, could take the decisions necessary for the more effective realization of the potential of UNCTAD, which remained one of the most important organizations concerned with international trade and economic co-operation.

68. The representative of Yugoslavia pointed out that the important statement by the Secretary-General of UNCTAD had pointed to the significance of the current session and of the challenges to be faced.

69. The situation in the world economy and in international economic relations, as depicted in the Trade and Development Report 1986, was dominated by tendencies which might have far-reaching negative effects. Erosion of the international monetary and financial and trading systems, combined with the continued deflationary macro-economic policies of the leading industrial countries, further accentuated the imbalances inherent in development conditions.

70. Alarming events were occurring daily, as could be seen from the proliferation of trade conflicts and attempts to solve them in ways either inconsistent with GATT or outside the GATT framework, including arbitrary countervailing duty practices, bilateral pressures and the so-called voluntary export restraints. Such measures had limited the share of developing countries in world trade to a level considerably lower than that to which objectively they were entitled.

71. Furthermore, the effective approach to the debt problem of developing countries had not yet gone beyond traditional and outdated concepts which neither corresponded to the adjustment capabilities of developing countries nor were in the interest of the world economy. There was plenty of evidence of the untenability of such concepts, including the fact that an increasing number of indebted developing countries had no other choice but to unilaterally restrict the outflow of their resources. The debtor-creditor relationship was thus eroded further.

72. The Trade and Development Report 1986 provided a new analysis and very eloquent comparisons which pointed to both the practical deficiencies and the inequities of the present approaches. This was an encouragement to reach new understandings at the current session of the Board. He had in mind that debt and development problems would be high on the agenda of the next session of the General Assembly.

73. The growing inequities were also brought on by developments in international commodity markets, where real non-oil commodity prices had fallen to their lowest levels since the Great Depression. These unsustainable trends were best illustrated by huge and rising net reverse flows of resources from developing countries to developed countries. To regard this phenomenon as a consequence of some "inherent" and unforeseen fluctuations in terms of trade, or as a result of the national policies of developing countries, was very dangerous. It was tantamount to becoming reconciled to the widening economic and social gap between the North and the South and to renouncing a global framework of economic co-operation.

74. The second point of departure in the Board's deliberations should be the level achieved in political awareness of the problems and their implications. The debate on interdependence had helped to promote a certain degree of convergence of views in that connection.

75. It was beyond doubt that there was no viable strategy on debt outside the context of growth and development and that there was a need for improved access of developing countries to markets of developed countries, for reinvigorating development finance and for arresting the deterioration in the position of developing countries heavily dependent on commodity exports. The debate on interdependence must therefore continue. The responsibility of the major industrial countries - whose internal policy choices and approaches to international economic co-operation were crucial to the global economic environment - was also undeniable. The Report had rightly devoted much attention to their role in international economic relations.

76. The economic situation in industrial countries was characterized by very low inflation rates and relatively low rates of growth and employment. More rapid and balanced growth of these countries was linked to the need for greater openness to the solution of problems bedevilling the developing world. This fact should be decisive in the forthcoming important negotiations.

77. Yugoslavia was firmly convinced that there was no alternative to multilateralism and to equitable economic co-operation. It thus gave priority to initiatives implying common efforts to find solutions. One such was the proposal by non-aligned and other developing countries to convene an international conference on money and finance. Such initiatives might also come from smaller groups of countries and from restricted meetings but, if kept within narrow circles, they would give rise to new suspicion instead of encouraging a true dialogue. The period ahead would see two exceptional and interrelated opportunities for negotiations on an equitable and democratic basis directed to a positive change, to the benefit of all countries. These were UNCTAD VII and the launching of the new round of multilateral trade negotiations in GATT. The substantial link between them was such that it was difficult to expect that progress in one direction could be achieved without a parallel advance being made in another. Their interdependence was underscored in the Trade and Development Report 1986 which pointed to the desirability of the launching of a new round of multilateral trade negotiations in GATT proceeding in tandem with a strategy for revival of growth and development and for the attainment of greater stability in the world's financial system.

78. The current session represented a crucial stage in the preparations for UNCTAD VII, since it had to adopt an appropriate recommendation to the General Assembly with regard to the agenda for the Conference. The agreement on the agenda should provide a simple, practical and stimulating framework for the successful outcome of UNCTAD VII. Nevertheless, most of the preparations were still ahead and implied a continuing process which would last until the very opening of the Conference.

Part I

DECISIONS ADOPTED BY THE TRADE AND DEVELOPMENT BOARD
AT THE FIRST PART OF ITS THIRTY-THIRD SESSION

338 (XXXIII) Rationalization of the regular sessions of the Trade and Development Board

339 (XXXIII) Trade relations among countries having different economic and social systems and all trade flows resulting therefrom

340 (XXXIII) Review of the question of the timely issuance of UNCTAD documentation in all languages and the rational use of conference resources

341 (XXXIII) Seventh session of the United Nations Conference on Trade and Development: provisional agenda, place, date and duration

342 (XXXIII) Review of the calendar of meetings

DECISIONS

338 (XXXIII) Rationalization of the regular sessions of the Trade and Development Board

The Trade and Development Board,

Bearing in mind General Assembly resolution 1995 (XIX) of 30 December 1964, as amended, and its subsequent resolutions 35/10A of 3 November 1980, 38/429 of 19 December 1983 and 40/243 of 18 December 1985, requesting, inter alia, that the Board should arrange its schedule as to enable it to report to the General Assembly on a timely basis,

Bearing in mind also decisions 1982/189 of 10 November 1982, 1983/101 of 4 February 1983, 1983/184 of 29 July 1983, 1985/106 of 8 February 1985 and 1986/105 of 7 February 1986 of the Economic and Social Council, regarding, inter alia, the possibility of scheduling the sessions of the Trade and Development Board so that its report can be submitted to the General Assembly through the Economic and Social Council at its second regular session.

Recalling its decision 314 (XXX) of 29 March 1985 establishing an informal working group of 19 members of the Board, to consider all aspects of the scheduling of the regular sessions of the Board, and the reports made by the Chairmen of the Informal Working Group on its findings to the Board at its thirty-first and thirty-second sessions, a/

Recalling also its decision 334 (XXXII) of 21 March 1986 mandating the Informal Working Group to continue its efforts, under the chairmanship of the Secretary-General of UNCTAD, on the rationalization of the sessions of the Board and to report to the Board at its thirty-third session,

Bearing in mind the desirability of avoiding unnecessary duplication of the work,

1. Takes note with appreciation of the report of the Chairman of the Informal Working Group; b/

2. Decides to change the pattern of its sessions effective as of its thirty-third session:

The Trade and Development Board shall normally hold one regular session a year for four weeks in two parts, the first part to be held in September and the second part in March/April of the following year, the length of each part of the session to be determined through consultations of the Secretary-General with regional group co-ordinators. Normally the second part of the session shall be of a somewhat longer duration than the first part.

---

a/ TD/B/1075 and TD/B/1092 respectively.

b/ TD/B/1113.

3. Decides that:

(a) Pursuant to Conference resolution 95 (IV) and Board decision 186 (XIX), trade relations among countries having different economic and social systems would be allocated to a sessional committee at the second part of the session;

(b) Pursuant to Board resolution 226 (XXII) protectionism and structural adjustment would be allocated to a sessional committee at the second part of the session;

(c) The allocation of all other items would be determined through consultations of the Secretary-General with regional group co-ordinators on the understanding that any major developments relating to these items could be taken up at either part of the session. Normally agenda items relating to interdependence of problems of trade, development finance and the international monetary system and debt and development problems of developing countries (agenda items 3 and 4) will be dealt with at the first part of the session;

4. Further decides that the term of office of the President would be for the duration of the regular session and the President would normally be designated at the end of the second part of a regular session;

5. Recommends that the General Assembly and the Economic and Social Council decide that resolutions and decisions of the Board requiring timely attention by the General Assembly can be transmitted directly to the General Assembly;

6. Also decides to adopt the following amendments to certain of its rules of procedure of the Board;

(a) Rule 1 is amended to read:

"Rule 1

The Trade and Development Board shall normally hold one regular session in two parts in a year."

(b) Rule 2 is amended to read:

"Rule 2

Each regular session of the Board shall be held, subject to the provisions of rule 3, at a date fixed by the Board at a previous session, in order to enable the General Assembly to consider the report of the Board at the earliest opportunity."

(c) The following interpretative note is appended to rule 18:

The Trade and Development Board at its thirty-third session agreed that it would be desirable for the Board to identify, before the end of each regular session, the person to be elected as President at its next regular session, so as to enable the person concerned to participate in an advisory

capacity in the preparatory work for the regular session in which he would serve as President. Should it prove impossible, however, to designate a President at that time, it could be done subsequently through consultations.

7. Further decides to review these arrangements, in the light of experience and developments, at its thirty-fifth session.

699th meeting
9 September 1986

339 (XXXIII) Trade relations among countries having different economic and social systems and all trade flows resulting thereform

The Trade and Development Board

Decides to remit the informal text annexed to decision 145 (VI) of 2 July 1983 of the United Nations Conference on Trade and Development for further negotiations to the next session of the Board dealing, inter alia, with matters concerning trade relations among countries having different economic and social systems.

700th meeting
10 September 1986

340 (XXXIII) Review of the question of the timely issuance of UNCTAD documentation in all official languages and the rational use of conference resources

The Trade and Development Board,

Bearing in mind General Assembly resolution 33/56 of 14 December 1978, 36/117 A and B of 10 December 1981, and section II, paragraph 3, of 40/243 of 18 December 1985,

Recalling its resolution 282 (XXVIII) of 4 April 1984, by which it decided to review every year the timely issuance of documentation in all official languages,

Aware of the budgetary constraints which affect the preparation of meetings,

Noting the report prepared by the UNCTAD secretarial, c/

1. Invites the Secretary-General of UNCTAD to continue the efforts being made to control the preparation of UNCTAD documentation, and to take all necessary steps to ensure that all documents, particularly the Trade and Development Reports, are effectively distributed in time in all official languages,

700th meeting
10 September 1986

---

c/ TD/B/L.808.

2. Requests the Secretary-General of UNCTAD to examine the relevant arrangements with the Director-General of the United Nations Office at Geneva with a view to ensuring the presence of interpretation services during all meetings.

341 (XXXIII) Seventh session of the United Nations Conference on Trade and Development
Provisional agenda, place, date and duration d/

The Trade and Development Board,

Recalling General Assembly resolutions 1995 (XIX) of 30 December 1964, section II, paragraph 2, and General Assembly resolution 40/189 of 17 December 1985 and further recalling Board decision 336 (XXXII) and 337 (XXXII) of 17 June 1986, relating to preparations for the seventh session of the United Nations Conference on Trade and Development,

1. Adopts the provisional agenda for the seventh session of the United Nations Conference on Trade and Development, contained in annex I to the present decision, together with its understandings contained in annex II;

2. Recommends to the General Assembly that the seventh session of the Conference be held at its headquarters in Geneva for a duration of about three weeks between 6 and 31 July 1987, including a final phase of one week at which the work of the session would be concluded by Ministers;

3. Takes note of the desire of the Latin American Group to hold the eighth session of the Conference in one of the countries in Latin America on the understanding that the final decision on the venue in Latin America will be taken at the appropriate time. In this connection, the Board notes the interest of Cuba to host the eighth session of the Conference;

4. Recommends to the General Assembly to accord priority to the seventh session of the United Nations Conference on Trade and Development in relation to other United Nations activities in Geneva.

702nd meeting
3 October 1986

---

d/ For an account of the adoption of this decision, see part II, chapter III below.

Annex I

PROVISIONAL AGENDA FOR THE SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

1. Opening of the Conference

2. Election of the President

3. Constitution of sessional bodies

4. Election of Vice-Presidents and the Rapporteur

5. Credentials of representatives to the Conference:

   (a) Appointment of the Credentials Committee

   (b) Report of the Credentials Committee

6. Adoption of the agenda

7. General debate

8. Revitalizing development, growth and international trade, in a more predictable and supportive environment, through multilateral co-operation: assessment of relevant economic trends and of global structural change, and appropriate formulation of policies and measures, addressing key issues in the following interrelated areas:

   (a) Resources for development, including financial and related monetary questions;

   (b) Commodities;

   (c) International trade;

   (d) Problems of the least developed countries, bearing in mind the Substantial New Programme of Action for the 1980s for the Least Developed Countries.

9. Other business

10. Adoption of the report of the Conference to the General Assembly

Annex II

UNDERSTANDINGS

I. In the assessment of relevant economic trends, due attention should be paid to the role of the private sector in development.

II. The formulation relating to "a more predictable and supportive environment" is intended to subsume the interest expressed in referring to the need for security, dependability and confidence-building in the world economic environment, as well as for equity and justice in international economic relations.

III. Monetary questions will be considered in the context of the mandate of UNCTAD and without prejudice to the competence of the International Monetary Fund and other international financial institutions.

IV. Sub-item 8 (c) - "international trade" - includes issues arising in trade relations among countries having different economic and social systems.

342 (XXXIII) Review of the calendar of meetings

The Trade and Development Board

Adopts the revised calendar of meetings for the remainder of 1986 annexed to the present decision.

707nd meeting
3 October 1986

Annex

Revised calendar of UNCTAD meetings for the remainder of 1986 a/

	Date
Working Party on the Medium-term Plan and the Programme budget, twelfth session	6-10 October
United Nations Conference on Natural Rubber, 1985, third part	6-17 October
Intergovernmental Group of Experts on Restrictive Business Practices, fifth session	15-24 October

a/ Unless otherwise indicated, all meetings will be held in Geneva. Meetings marked with an asterisk are deductible from the provision for "Working parties, study groups and experts groups".

	Date
Intergovernmental Group of Experts on the Transfer, Application and Development of Technology in the Energy Sector, Paying Particular Attention to New and Renewable Sources of Energy* (Board resolution 326 (XXXI))	15-24 October
Intergovernmental Group of Experts on Iron Ore, first session	27-31 October
Committee on Transfer of Technology, sixth session	27 October-7 November
Committee on Tungsten, eighteenth session	3-7 November
Consultations on Tin	10-12 November
Committee on Shipping, twelfth session	10-21 November
Group of Experts to Develop and Recommend Model Rules for Multimodal Container Tariffs*, second session	1-5 December
Joint UNCTAD/IMO Intergovernmental Group of Experts on Maritime Liens and Mortgages and related subjects, first session	1-12 December
Ad hoc Review Meeting on Copper b/	8-12 December
Committee on Invisibles and Financing related to Trade, twelfth session, first part (Financing related to Trade)	8-19 December

Meetings for which the dates are undetermined

	Duration
Ad hoc Intergovernmental Group of Senior Officials on Co-operation among Developing Countries in the area of Shipping, Ports and Multimodal Transport*	1 week
International Nickel Study Group: Inaugural Meeting c/	1 week
* * *	
Commodity conferences and other commodity meetings	As required (up to 12 weeks)
Working Parties, study groups and expert groups	As scheduled

b/ Included for planning purposes. To be confirmed in the light of further consultations.

c/ Reimbursable meeting. Listed for information. Consultations are to be held to determine the dates of this meeting.

Part II

SUMMARY OF PROCEEDINGS

Chapter I

SPECIFIC MATTERS ARISING FROM THE RESOLUTIONS, RECOMMENDATIONS AND OTHER DECISIONS ADOPTED BY THE CONFERENCE AT ITS SIXTH SESSION REQUIRING ATTENTION OR ACTION BY THE BOARD AT ITS THIRTY-THIRD SESSION

(Agenda item 2)

79. Agenda item 2 was referred to Sessional Committee I for consideration and report.

A. Conference resolution 159 (VI) - International trade in goods and services: protectionism, structural adjustment and the international trading system

80. The Director of the Manufactures Division highlighted the main thrust of the note by the secretariat on the international trading system (TD/B/1101 and Corr.1) and the report by the secretariat on services (TD/B/1100 and Corr.1). Among the factors affecting the developments in the trading system, he emphasized conflicting macro-economic objectives, the predominance of monetary over trade flows, the new approaches to creating a dynamic comparative advantage, unco-ordinated structural adjustment policies and the breakdown of the consensus in support of trade policy measures in favour of developing countries. The programme of action suggested in TD/B/1101, directed to strengthening the international trading system, should aim at (a) restoration of the credibility of the system; (b) reaffirmation of the commitment of the international trading community to certain fundamental principles, including unconditional most-favoured-nation treatment, multilateralism, the reliance on the tariff for protection, and universality; and (c) enhancing momentum towards further trade liberalization.

81. With reference to the new Multi-Fibre Arrangement, he said that the special restrictive measures would continue to affect the textiles sector for at least the next five years, although textiles accounted for a substantial share of the manufactures exported by developing countries.

82. He felt that the forthcoming GATT Ministerial Meeting would be held at a very opportune moment. Erosion of the multilateral trading system, recourse to unilateral and bilateral actions outside the multilateral framework, and intense pressures for protectionist actions and policies were increasing day by day. All countries suffered in that process, but the weaker trading partners suffered most. In the context of the new round of multilateral trade negotiations, discussions in UNCTAD could serve to reach consensus on various complex trade matters. The discussions could also centre on the broader fundamental issues that were relevant to an effective and useful trading system.

83. With regard to services, he highlighted the new tendencies and developments in that sector, in particular the rapid expansion of producers' services due, primarily, to the externalization of services production and the application of new technologies. Governments must act to strengthen the

producer services sector of developing countries, and this called for international co-operation. Finally, he provided information on technical co-operation activities - undertaken in collaboration with regional commissions and other United Nations agencies and supported by certain member States - in the area of services, in accordance with the mandate given to UNCTAD under Board decision 309 (XXX).

84. The spokesman for Group D (Hungary), speaking also on behalf of Mongolia, recalled that at previous Board sessions Group D countries had, collectively and individually, expressed their views on developments in the international trading system. Unfortunately, since the last review, difficulties and tensions had increased. Protectionist measures, including discriminatory ones, had continued to proliferate. Recent developments in textiles and agriculture had accelerated the erosion of the international trading system - an erosion to which the Director of the Manufactures Division had rightly drawn attention. Against that background, Group D believed that the new round of multilateral trade negotiations to be launched at the forthcoming Ministerial session of the Contracting Parties of the GATT should play an important role in the restoration of the trading system and should contribute to the process of real trade liberalization. His Group was also of the view that a new round of multilateral trade negotiations should be open to any interested countries wishing to participate in them, as had been the case in the Tokyo Round.

85. Group D considered that the underlying problems in the international trading system could not and should not be attributed to its principles and rules, but rather to the non-observance and non-implementation of those rules and principles by certain countries. Group D countries were firmly committed to the restoration and strengthening of a universal, non-discriminatory, stable and predictable trading system which would ensure equality in international trade relations. To reach this goal, it was of utmost importance to adhere strictly to the basic principles of international trade, namely to unconditional MFN treatment and non-discrimination. Any positive development in international trade could be achieved only through the reduction and elimination of the various protectionist measures in both the agricultural and industrial sectors. All discriminatory measures should also be abolished. His Group shared the view expressed in paragraphs 84 and 87 of TD/B/1101 that all countries should derive benefit from the system, regardless of their economic system or their product specialization. Unfortunately, the Group D countries had been witnessing just the contrary in their trade with certain developed market-economy countries. Therefore, they could not accept the options mentioned in paragraph 71 of TD/B/1101 relating to the issue of universality, as either option might result in the continuation of illegal, unilateral, arbitrary trade policies and practices by certain countries or groups of countries vis-à-vis countries members of Group D. They were convinced that unconditional MFN treatment and non-discrimination should be applied to all countries, irrespective of their social systems.

86. He added that, since Conference resolution 159 (VI) had instructed the Board to review and study in depth developments in the international trading system, Group D regarded this as an ongoing exercise which should be repeated once a year.

87. Turning to the question of services, he recalled that, on a previous occasion, Group D countries had expressed their detailed views on the issue. He considered that the report on services (TD/B/1100) was an interesting product of an ongoing research programme. In view of the complexity of the subject, further examination by experts was needed. In the meantime, Group D countries would be interested in seeing the results of the national studies prepared with the assistance of the UNCTAD secretariat.

88. The spokesman for Group B (Canada) said that his Group welcomed the review of the international trading system, as agreed in Board resolution 320 (XXXI). Group B believed that an open, free-wheeling analysis and review, looking at both international and national opportunities and impediments, could help to deepen member countries' appreciation of current conditions and of one another's perception of what was right as well as wrong with the system. The discussion on this item in the Board was timely because it coincided with the lead-in to the Punta del Este Ministerial Meeting in two weeks' time on the launching of a new round of GATT multilateral trade negotiations. Group B believed that the Board's work would serve to underline the importance of holding this comprehensive and ambitious new round, in order to stem and reverse the tide of protectionism, to liberalize further and to expand world trade, to strengthen the multilateral trading framework as embodied in the GATT (both in traditional areas and in other important areas which had recently become more important and relevant components in the system), and finally to strengthen GATT as an institution.

89. He stated that, while Group B had read with interest the UNCTAD secretariat report (TD/B/1101), it felt some disappointment with its overly pessimistic tone, its unduly critical analysis of the functioning of the GATT, and its anti-developed-country bias. Group B could not agree with its apparent closing message that, pending greater consensus on the necessary changes to be made in the system, a new round of trade negotiations was premature. The degree to which such consensus existed was probably not apparent to the authors at the time of writing. This consensus had been built up over the past year in the GATT Preparatory Committee and would be consolidated at Punta del Este; further consensus-building would form part of the whole negotiating process in the new round. As the Secretary-General had pointed out in his opening statement, UNCTAD should seek complementarity in assisting this consensus-building through open discussion and examination of the issues. Group B believed that this process should reflect all points of view and should not duplicate what was done in other forums.

90. He said that Group B agreed that the multilateral trading system had been under severe strain and was badly in need of strengthening. There had been serious problems in some important areas, as illustrated in commodities markets or in agriculture. But Group B could not subscribe to the view that there had been no positive developments, that this was the fault solely of developed countries or that only developed countries bore the burden of contributing to liberalization. This theme of "selective responsibility" appeared regularly in the secretariat report, for example in the suggestion that developing-country export incentives were acceptable while those of developed countries were not. The report was also self-contratradictory in arguing that it was necessary to preserve the unconditional MFN principle while, at the same time, seeking to enshrine special and differential treatment for all developing countries - including some of today's most dynamic and successful traders - as a binding obligation in the GATT. The

report might have been intended to stimulate debate, but the appreciation of Group B would have been greater had the secretariat sought to stimulate the debate from all points of view, for example in critically re-examining some of the traditional development-driven assumptions of the 1960s and 1970s, instead of asserting, as a given truth, that the preferential trade measures in favour of developing countries which were now part of the trading system were the most appropriate means of promoting development. Although the report was thought-provoking in challenging the motives behind certain proposals of some developed countries, it was not equally thought-provoking in questioning some of the trade policies of various developing countries and how they might or might not be contributing to the health of the system, and in questioning whether they were making full use of all the benefits currently available to them. He also noted the confusion running throughout the report between the international trading system and the part represented by the GATT: at times it was implied that the GATT was the system, at other times, the system was said to include many other areas such as commodities, restrictive business practices, and the activities of transnational corporations. Nowhere was this confusion between GATT and the system more evident than in the call for universality, seemingly with reference to GATT and a new round of multilateral trade negotiations. It should have been recalled that the GATT was not a universal organization, but a contractual one, open to those who were prepared to negotiate their terms of accession, to accept its basic market-economy principles and to make their trading and economic systems compatible with the GATT.

91. He noted that, whether or not one perceived the problems in the international trading system from the perspective of the secretariat report or from the perspectives of the many other analyses that had been made from a variety of points of view, there was clearly a need for action, and the main focus of this was the new round of negotiations. No country was entirely free from some sins of protectionism. All countries had suffered from protectionism, and all had much to gain through liberalization and from strengthened and broadened disciplines in international trade. This had special importance for the interests of smaller countries, both developed and developing. As the negotiations proceeded, and as consensus emerged on ways to resolve the problems, the shape of the international trading system, including its essential GATT components, would evolve and expand, in response to current needs and conditions.

92. Turning to the separate question of services and development, Group B noted that, with the help of the secretariat report (TD/B/1100), it would be possible to examine the role of services in development as well as assess how the other work of the secretariat, approved in Board resolution 309 (XXX), was proceeding. Group B noted that a broad consensus was emerging on the need for greater openness and predictability in trade in services, given its importance to the economic well-being of all countries, developed and developing. Although negotiations in this area would take place elsewhere, through the implementation of the work programme in resolution 309 (XXX), UNCTAD would be able to heighten the understanding of governments to the extent and importance of their services sectors, and to the policy options open, particularly to developing countries in establishing and benefiting domestically and internationally from their own services industries. The Group B countries regarded TD/B/1100 as a good follow-up to the earlier report of two years ago (TD/B/1008), in particular its assessment of the role of producer services and the discussion of some of the many considerations and options available to

policy makers in developing countries, on which they would welcome comments from individual developing countries. They noted, however, that TD/B/1100 suffered from certain shortcomings and that work in the future should avoid generalizations about situations in developing countries as a group in the light of growing differences in size, location, population, services sector development and economic strength. Apart from some examples in section C of chapter II, there was little attempt to compare the experiences of various countries, especially the cases of successful policy choice and international co-operation with other governments and between firms. The report also considered the "infant industry" argument and suggested that this approach could be adopted by developing countries in services sectors. However, Group B noted that the negative consequences of such an approach had not been fully explored, nor had the advantages offered by more open approaches to maintaining and developing efficient and internationally competitive industries and services been truly considered.

93. He felt that the liberalization of the services sector in developing countries could have many beneficial effects and that there were net positive gains - transfer of innovation and technology, growth of the domestic services sector, lower costs for services, increased value-added and employment - from the dynamic element injected by foreign competition in services. Local manufacturing benefited through access to services that were otherwise unavailable or were more efficient than those available locally. Group B countries felt that, in parts of the report, political and social factors were introduced which were more properly the business of governments and they noted yet again UNCTAD's practice of assuming that the activities of transnational corporations were, by nature, detrimental to the interests of developing countries, and that the advantages offered by multinational enterprises should not themselves be examined.

94. Generally, Group B regarded the report as helpful, although it felt that the discussion in chapter II on "trade in services", and some of the concepts being looked at elsewhere in the context of the negotiation of an international understanding on trade in services, overstepped the bounds of the precise mandate for studies set out in Board resolution 309 (XXX). Of particular concern was the report's bias against liberalization of trade in services without a full and fair consideration of all the factors. Nevertheless, future work was possible and desirable especially in: enhancing basic knowledge of the state of services sector development in different developing countries and determining what sectors contributed best to development, depending on local conditions and other factors; and in setting out consequent domestic policy options for developing countries. As regards international measures, most of the suggestions in paragraph 80 of the report were worth further examination, particularly the idea of co-operation among developing countries themselves.

95. In conclusion, Group B felt that the Board should also assess what was happening with respect to the three other elements in the work programme set out in resolution 309 (XXX). The Group looked forward to receiving, as soon as possible, the supporting document with respect to work (1) on the definitional aspects of services, and (2) on strengthening and refining the data base at various levels, together with methodological improvements in this

field. Group B also appreciated the explanation given by the Director of the Manufacturers Division of the secretariat's response to the fourth element of the work programme in resolution 309 (XXX), namely assistance to member States in their analyses of the role of services in their economies, and would welcome further information on the results of this work.

96. The spokesman of the Group of 77 (India) complimented the secretariat on the two documents submitted under this item (TD/B/1100 and TD/B/1101). He said that the secretariat report on the international trading system (TD/B/1101) dealt cogently with various aspects of the continued erosion of the system and attempted to identify the economic and political factors which had provoked the recent disturbing developments. The report made pertinent suggestions on the steps to be taken to fulfil the mandate set out in Conference resolution 159 (VI). The Group of 77 had always considered that this mandate required the Board to carry out the review of developments in the international trading system on a continuing basis. It was a matter of some regret that it had taken so long after the adoption of Conference resolution 159 (VI) for all groups to engage in such a review.

97. He said that the secretariat report identified the main symptoms of the erosion of the multilateral trading system. It had recognized that trade relations were increasingly based on power relationships rather than respect for contractual commitments. Unilateral deviations from unconditional MFN, the application of certain Tokyo Round codes on a conditional basis and the search for conditional MFN solutions threatened to undermine completely the working of the MFN clause and, in fact, affect the integrity and unity of GATT. Similarly, concepts of reciprocity (such as that of "equivalent market opportunities") were reducing developing countries' ability to obtain concessions in multilateral trade negotiations. The autonomous and non-reciprocal nature of the generalized system of preferences (GSP) was being altered. Unfair trade practices - including non-tariff measures, subsidies, lack of multilateral commitments on international commodity prices, increasing resort to restrictive business practices and the entrenchment of, and domination by, transnational corporations in international trade - were other important developments in the international trading system which had had an adverse effect on the trade and development prospects of developing countries.

98. He recalled that when resolution 159 (VI) had been adopted in 1983, the focus of international debate had been on recovery. The hope had been that the process of recovery would spread from the United States to Western Europe and eventually to the developing countries through the link of external trade. This, however, had not happened. While the United States had enjoyed a fairly vigorous economic expansion in 1984 and thereafter, the recovery had been uneven and weak in Western Europe. Thus, while a partial recovery in certain regions had occurred, the benefit to the world economy had been hampered by the macro-economic policies of certain major economies resulting in budget deficits, high interest rates, over-valuation of key currencies, increased protectionism, reverse flows of capital from developing to developed countries, and so on. Protectionism had been very much in evidence in the markets of the developed countries. There was increasing resort to bilateralism and grey-area measures. In fact, there had continually been new departures from the norms, rules and regulations governing the multilateral trading system, and the adoption by one developed country or the other of new restrictive trade measures which had the effect of further eroding confidence in - and the credibility of - the international trading system.

99. He pointed out that most of these restrictions were applied against developing countries on a selective or discriminatory basis. An earlier UNCTAD report had observed that the share of imports from developing countries subject to non-tariff measures was far greater than that of imports from developed market-economy countries. Product areas of particular export interest to developing countries were worst affected. To illustrate:

(a) In important sectors like textiles and clothing the long-standing derogation from the established rules of a non-discriminatory and open multilateral trading system, as in the case of the Multi-Fibre Arrangement (MFA), had been further perpetuated. While earlier MFAs had been negotiated for a period of four years, and, in the case of the last one, for four years and seven months, the new Arrangement had a duration of five years. Moreover, fibre coverage had been drastically extended, leaving perhaps little room for further deterioration. This was clearly a retrograde development in the international trading system from the point of view of the developing countries.

(b) In agriculture, the subsidization of agricultural products by the major trading partners, the utilization of substitutes and synthetic products, the fall in prices of agricultural products, and trade barriers and quotas had harmed the export interests of several developing countries.

(c) In the case of minerals, the absence of structural adjustment in the mineral industries of the developed countries and the fact that the prices of mineral products were set without reference to the developing exporting countries had created severe problems.

(d) The sharp downswing in world prices of primary commodities had not abated. By 1985, the UNCTAD index of market prices of the principal non-fuel commodity exports of developing countries had fallen by one third from the 1980 level, representing an annual average decline of 7.5 per cent. Depressed commodity prices had also severely affected the growth and development prospects of a large number of developing countries.

(e) The difficult economic situation of the least developed countries had been particularly affected because of the intensification of protectionist measures in the developed market-economy countries against imports from the developing countries, including the least developed countries.

100. He said that intensification of protectionism and deviation from the basic principles of the MFN, increasing resort to voluntary export restraints and other grey-area measures, bilateralism, and sectorialization had tended to erode the international trading system. For instance, according to a recent GATT report (document L.6025, dated 22 August 1986) on developments in the trading system from October 1985 to March 1986, not counting the MFA, there were some 120 export restraint arrangements known to be in existence today, by and large inconsistent with various provisions of the General Agreement and in particular Articles XI, XIII, and XIX.

101. He said that one of the very important aspects of the international trade situation was the increasing resort to restrictive business practices (RBPs), particularly by transnational corporations, which acted as a major obstacle to the flow of international trade. The secretariat report stated (para. 22) that RBPs could nullify the advantages of trade concessions and undermine

multilateral trade disciplines. The magnitude and potential of the problem could not be ignored. The phenomenon of "in-house trade" had reached such proportions that it was generally accepted that at least some 30 to 40 per cent of world trade was accounted for by intra-firm trade and that more than 50 per cent of world trade was in the hands of a limited number of large transnational corporations from the developed countries. The fact that RBPs in international trade were nowhere regulated by multilateral control made them a convenient loophole for those who wanted to apply protectionist policies to evade the trade-liberalization efforts. The time had come to ensure that the rules and disciplines of the multilateral trading system were also applied to RBPs.

102. He added that one serious development in the multilateral trading system from the viewpoint of developing countries was the increasing tendency on the part of certain developed countries to make the maintenance of the current market access for the exports from developing countries conditional on the developing countries' agreeing to open up their markets in return.

103. In this disturbing situation, how could the international trading system be preserved and strengthened? The Group of 77 favoured the following measures:

(a) Concrete steps were required to ensure preservation of the open, non-discriminatory international trading system. This would be possible only if previous commitments entered into by the developed countries were implemented. Thus, there should be immediate action on standstill of protectionist measures to prevent further deterioration of the system and a roll-back of protectionist measures.

(b) A comprehensive agreement was necessary on safeguards on a MFN basis.

(c) Trade liberalization measures by developed countries based on the effective application of the rules and principles of GATT should, as a matter of priority, be applied in agriculture, tropical products, natural resource products, and textiles and clothing.

104. He noted that there had been efforts lately by some developed countries to introduce new issues for discussion, such as investment and services. He wondered why such discussion tended to concentrate on only one factor of production, i.e. capital. Clearly these initiatives were partial and had tended to retard the emergence of consensus in the discussion on trade. In paragraph 84(b) of TD/B/1101 the secretariat stated that one of the four elements which could form part of the international consensus on a new system was that "the system should not deny countries the possibility of taking the policy measures necessary to improve their situation (i.e. in the areas of services and technology)". He felt that it was premature to see this element as an integral part of the new system. Whether there was a need for any multilateral framework on trade in services would have to be a subject for further examination.

105. He said that, for most developing countries, the question of services and technology was basically a question of development, and not of trade. It should not be seen simply in terms of exchange on the basis of comparative

advantage. The service industry was being viewed here as a vehicle for new technologies; what was really required was a set of rules to facilitate such development. Any discussion on services should fully take into account the interests of the developing countries.

106. There was no denying that the problems faced in the trading system were also linked with the crisis in the international monetary and financial systems, and in particular the problem of external debt. Moreover, commodity prices were at their lowest levels ever in real terms. International action to solve the problems of commodities, including stabilization measures, had been inadequate. The implementation of the Integrated Programme for Commodities had not been satisfactory. The Common Fund had not yet become operational. Not only was it necessary to look at all these problems from the point of view of a comprehensive trading system, but in such a system the commodity issues would have to be given appropriate importance.

107. Analysis showed that the multilateral trading system as embodied in GATT was under severe strain because of deviations from and non-application of its basic principles. It was common knowledge that the system itself had been conceived of in a partial and narrow way. For instance, the problems of commodities, including those relating to market stabilization, had not been addressed in the multilateral trading system. In sectors where developing countries had become competitive, they were kept out of markets by derogations from the GATT system. Similarly, restrictive business practices, particularly those applied by transnational corporations of the developed countries, continued to hinder the efforts of developing countries to boost their exports. Any new system would thus have to respond to the needs of the developing countries and address the changes which had occurred in the multilateral trading system. The UNCTAD secretariat should, therefore, conduct studies to prepare a comprehensive blueprint which could be discussed at the seventh session of the Conference.

108. The Group of 77 welcomed the suggestion contained in TD/B/1101 that the secretariat should make detailed and in-depth studies of the forces which were radically affecting international trade. Such an ongoing exercise, in keeping with paragraph 14 of resolution 159 (VI), was necessary because the situation was evolving all the time, so that regular updating was essential. The extent to which the services sector contributed to the overall economic development of the developing countries had to be examined further. Policies on the services sector could have a vital impact on growth and development, and the efforts of UNCTAD to shed further light on the services/development link would be extremely useful. Similarly, the extent to which development co-operation in services was necessary and feasible had to be examined more carefully. He emphasized, therefore, that to visualize a role for multinational corporations - which dominated the new and high-technology services and particularly the trade in such services - and to envisage a role for greater trade in services through the medium of transnational corporations ostensibly for accelerating the development of the economies of the developing countries might not be of immediate priority. The services theme had been vigorously put forward by the developed countries, for they looked upon it as a sector embodying the third industrial revolution. One wondered how the same significance could be attached to it by countries which were still struggling at the stage of the first industrial revolution. However, as the secretariat

report suggested, a strong services sector might be a precondition for, not a result of, industrial growth. It was the question of how to strengthen this sector in developing countries that UNCTAD should continue to examine as a matter of priority.

109. He considered that, from the standpoint of the developing countries, the focus of attention should also be on the problems encountered by the developing countries in the areas of transfer of technology. Similarly, the role of transnational corporations and the restrictive business practices followed by them should receive priority attention.

110. Pursuant to Board decision 309 (XXX), many of the States members of the Group of 77 already received assistance from UNCTAD in the studies of the service sector in their economies. His Group was appreciative of the efforts by the secretariat to increase its resources, and hoped that UNDP and other financial sources would continue to respond positively to requests for such resources.

111. Finally, he recalled General Assembly resolution 40/185 which condemned the imposition of economic and trade sanctions against developing countries for political reasons. It was regrettable that such measures continued to be applied.

112. The representative of the European Economic Community noted that much time had elapsed in initiating the review of the international trading system. The approaching seventh session of the Conference and the imminent new round of multilateral trade negotiations in GATT made it all the more useful to conduct a joint analysis of the difficulties confronting the international trading system and necessary to build a consensus on the actions to be taken. He appreciated the brevity of the secretariat report (TD/B/1101) and the fact that it addressed the international trading system at a general level. However, he did not share the excessively pessimistic vision of the secretariat, and regretted the lack of precision with respect to several essential concepts which created a certain confusion. It was indispensable to clarify the concept of the "international trading system" which, in the context of the Conference resolution 159 (VI), comprised the body of rules, disciplines and practices that governed world trade. While clearly the GATT was at the heart of the system, there were a number of other instruments which had not been negotiated in GATT - for example, international commodity agreements, the GSP, and a multitude of bilateral and regional arrangements, not to mention other agreements such as the Global System of Trade Preferences among developing countries (GSTP). The international trading system could not be reduced to one institution or to one simple set of principles, but was a complex network in constant evolution and in which institutions and participants in international trade had a role to play and responsibilities to assume. Each one of its components should be consolidated, reinforced and improved. Although to a certain extent the secretariat's pessimistic outlook could be understood, it was excessive to refer to the failure of the system when world trade had continued to increase and the system had withstood fairly well the tensions to which it had been subjected. For example, the Tokyo Round had been concluded during years of crisis, the GSP had been regularly improved, and the GATT Ministerial Declaration of December 1982 had been adopted at the height of the recession. Certain temporary arrangements in sensitive sectors had served to avoid a collapse of markets. The sub-systems based on free trade and economic integration had tended to grow and GATT regularly received requests for accession.

113. Conference resolution 159 (VI) invited reflection on the ways to improve the trading system and its functioning. What was needed was a more universal and dynamic system, more supple and efficient, in particular for the benefit of the less developed countries. The multilateral trade negotiations would provide an opportunity to consolidate the system, to adapt it to new realities, and to respond to preoccupations expressed in TD/B/1101. Active participation by developing countries in the GATT negotiations would permit the system to respond better to their preoccupations. An open and diversified agenda would enable GATT to make progress on the traditional questions while entering into new fields of international trade, and a global negotiation in which each country would be required to offer concessions consistent with its capacities and level of development would result in a better distribution of benefits and an improved balance of rights and obligations.

114. In addition to its efforts in the new round, EEC would strive to reinforce other components of the system. These included commodities, where the recent negotiation of a new International Cocoa Agreement could create a more favourable atmosphere for future discussion on commodities, in which UNCTAD would have an essential role to play. The Community had always actively supported the efforts of developing countries to develop their mutual trade and regional integration, and it was hoped that the negotiations on the GSTP would result in a significant reduction in barriers to South-South trade and a more balanced growth in world trade.

115. Initiatives in international trade would be insufficient unless the international community resolved to adjust national economic policies to external constraints, to stabilize the monetary system and to put order in the international financial system. While UNCTAD had a role to play in these fields, it should also explore new areas of international economic relations whose influence on trade and development was growing.

116. With respect to services, he thought that the secretariat report (TD/B/1100) contained an extremely useful analysis of the links between services and development and presented interesting ideas on development-oriented actions which could be taken by developing countries and on those which could be supported by the international community. The quality of the analysis, and the fact that it addressed subjects which had received little treatment in the abundant literature on services, demonstrated the useful contribution of UNCTAD and the value of the work programme established in March 1985. He noted, however, that the report had covered only part of the programme laid out in Board decison 309 (XXX), as it did not deal with definitions or with progress in the data base, and it provided little information on the state of play in the national studies with respect to which the secretariat was providing assistance. In addition, the secretariat had ignored certain traditional tertiary activities of importance to developing economies. Furthermore, the report commented on the concepts that might be applied in future multilateral negotiations on services, which were not directly covered by the work programme defined at the thirtieth session of the Board. Further work should be based on information collected in developing countries to develop a deeper understanding of some of the questions raised in TD/B/1008. This might include the role of the informal sector in the production and distribution of services, the role of services in the distribution of income, and the growing differences in the structure of the services sector in countries at different levels of development, with particular attention to the role of services in the least developed countries.

117. The EEC considered that the secretariat had made an extremely useful contribution by identifying the areas where international co-operation should be intensified. The Community was aware of the need to reorient development aid towards new areas to permit beneficiary countries, notably the poorest among them, to reinforce their services sector and integrate it into their development process. The Community shared the views expressed in TD/B/1100 with respect to the importance of regional co-operation on services, the importance of training and the advantages of co-operation between small and medium-size services enterprises in developed and developing countries. The Community was prepared to assist developing countries in these areas, particularly in the context of the Third Lomé Convention.

118. Finally, he invited the secretariat to continue its activities under Board decision 309 (XXX) and stressed the need for all to assist it in this task by supplying it with information on the numerous national and sectoral studies being undertaken.

119. The representative of Japan stated that his country fully supported the statement on services made by the spokesman for Group B. Since the services sector was of great and increasing importance to world trade as well as to the development process of developing countries, more attention should be given by various international organizations to the objective examination and analysis of this sector. The international organizations could play an important role in helping governments to understand the various aspects of the services sector. UNCTAD clearly had a particularly important responsibility for further research and practical co-operation in assessing the role of services in the development process of developing countries, and it was for this reason that his Government had supported the adoption of the Board decision 309 (XXX). The possibilities for developing countries to harness and improve service industries depended upon their degree of development. Because of the differing levels of development and the diverse characteristics of the services sector among developing countries, the conduct of individual national studies would be the best means of identifying the role of services in the development process of a given country. In accordance with the fourth element of the work programme in decision 309 (XXX), UNCTAD could make an important contribution, working in close co-ordination with appropriate international organizations.

120. In conclusion, he recalled that at the recent meeting of Ministers of Trade in ESCAP, held at Bangkok, his Government had made clear its readiness to make a financial contribution to ESCAP for studies on the role of services in the development of national economies and their impact on trade in the Asian and Pacific region, and had expressed its hope that the studies would be carried out in close co-operation with UNCTAD. His Government was now considering a contribution of $US 100,000 to the above-mentioned studies and expected that the UNCTAD secretariat would co-operate with ESCAP so that the studies, in particular the country studies, would lead to a useful outcome.

121. The representative of China commended the high quality of the two documents prepared by the secretariat. In his view, TD/B/1100 was an improvement on TD/B/1008/Rev.1. It contained a penetrating analysis of the role of services in economic development and the experience of development in the services sector. Document TD/B/1101 illustrated accurately the erosion of the international trading system and put forward a number of useful suggestions which facilitated the work of the Board. The rapid development of

trade in services was assuming an increasingly important role in economic development and international trade. Its importance in technological progress and in improving the quality of life was also increasingly recognized. However, there was an imbalance in the development of this sector as between developed and developing countries. The developed countries, by virtue of the long history and the size of their services sector, their technological level and economic power, had been able to achieve a much faster expansion of trade in services, while the developing countries were still at an early stage in the development of this sector and in a weak competitive position. In view of this fact, concrete measures should be taken to promote the development of the services sector in the developing countries. International discussions and possible bilateral or multilateral agreements should take full account of the special needs of the developing countries in order to enable them to participate adequately in international trade in services, and they should in no way respond only to the interests of major service-producing countries at the expense of access for developing countries to the international services market.

122. He also expressed deep concern at the developments in the international trading system. He felt that the commitment by the developed countries under Conference resolution 159 (VI) to stamp out protectionism had not been honoured. On the contrary, protectionism had further intensified and the principle of non-discrimination and most-favoured-nation treatment had been seriously distorted and violated. Developing countries had fallen victims to the trade war among developed countries. They could not stand the impact of large-scale export subsidies, particularly in the agricultural sector. The new multi-fibre arrangement, while extending its coverage to all vegetable fibres, constituted a further departure from the principle of trade liberalization and intensified discrimination against developing countries. One major power, which claimed to be an advocate of free trade, had gone so far as to justify its import restrictions by arguing against low salaries and low costs in the developing countries. It frequently resorted to anti-dumping and countervailing duties to squeeze out competitive products from developing countries. Another trading power with a large trade surplus also imposed high protective tariffs on products such as tea from developing countries. Such selfish conduct could not but cause serious concern.

123. He hoped that the new round of multilateral trade negotiations launched in the framework of GATT would truly serve to improve and strengthen the international trading system, stamp out protectionism, contribute to trade liberalization, improve the terms of trade of developing countries and promote world economic growth and the healthy development of international trade. He also hoped that the developed countries would discard their short-sighted practice of sacrificing the interests of the developing countries in order to gain short-term benefits for themselves and that the discussions would achieve a positive result, laying the foundations for further progress on the international trading system at UNCTAD VII.

124. The representative of Sweden, speaking on behalf of the three Nordic countries, Finland, Norway and Sweden, expressed support for the statement made by the spokesman for Group B on the international trading system and on services and said that the international trading system was under serious strain. Many of the current trade problems derived from shortcomings in the implementation of the trading rules as laid down in the GATT. There was need for stricter application of existing rules and improvements in the GATT

system, which was why they attached great importance to the coming round of multilateral trade negotiations. The secretariat report on the international trading system (TD/B/1101) elaborated in a concise way a number of problems faced in international trade. Some of them were relevant to the present GATT system and they would no doubt be discussed at the GATT Ministerial Meeting i Punta del Este. There were, however, certain views expressed in the report t which the Nordic countries could not subscribe. It was their opinion that th overall picture presented of the international trading system was too pessimistic. Moreover, they did not agree with the formulations which could be taken to mean that the launching of a new round of negotiations was premature. No countries opposed a new round as such and a large number of countries had devoted substantial efforts to prepare for a new round. The draft Ministerial Declaration contained in GATT document PREPCOM (86)W/47/Rev.2 reflected the widespread commitment of all Group B countries - as well as of Group D countries and a large number of countries o the Group of 77 that were members of the GATT - to the principles of the GATT system. The Nordic countries had participated actively in the preparation of this draft, which provided for negotiations in the fields of interest to all. Furthermore, the Nordic countries considered it crucial that a decision be reached at the GATT Ministerial Meeting to launch the new multilateral trade negotiations. It would be conducive to subsequent negotiations if that decision was taken by consensus. He felt that the coming round was an opportunity for countries to prove their capacity to strengthen and develop multilateral trade discipline. This would greatly stimulate growth and development throughout the world.

125. He believed that the challenge of improving the international trading system was enormous and that UNCTAD had an important role to play in this task, for example through fact finding and the preparation of analytical studies, especially on the situation and interests of developing countries. This would complement the work done in other forums.

126. Referring to services in the development process, he said that the Nordi countries considered that the secretariat report (TD/B/1100) contained a thought-provoking and useful contribution to broader understanding of the importance of services - especially producer services - to the national economies. It also makes interesting suggestions on the types of services that were of special relevance to economic development, with emphasis on information technology. Although producer services were by no means as prevalent in developing countries as they were in developed countries, he could not subscribe to the view that the reason why developing countries lacked producer services sectors was the presence of foreign controlled enterprises in these countries. This view was contradicted by other studies which underlined the stimulating effect such technological companies had on different sectors of the economy. In addition, the report underestimated the dynamic effect that international competition could have on the introduction of new technology into the countries' services sector and on further development in services, and it suggested that the developing countries' domestic services economy should, by and large, be protected from foreign competition. Yet the report concluded that the developing countries' economi development was dependent on the transfer of technology and that a protectionist stand in the long-run would be counter-productive.

127. In conclusion, he said that the UNCTAD secretariat should continue its informative and valuable work on services. In accordance with the mandate given in Board resolution 309 (XXX), UNCTAD could contribute to the evolution of the services sector in developing countries and heighten the understanding of this important sector.

128. The representative of Yugoslavia stated that his delegation fully supported the views expressed by the spokesman for the Group of 77. The need to deal more effectively with all important problems in the trading system had been accentuated by the unsatisfactory trends in the world economy and in international trade, as demonstrated in the Trade and Development Report, 1986 (UNCTAD/TDR/6). Past experience showed how difficult it was to expect the developing countries' trade to contribute to any significant extent to their development and to become again a dynamic factor in the development of world trade as a whole without the improvement of the trading system and creation of conditions conducive to its more effective functioning. The erosion of the multilateral trading system particularly affected the developing countries as the weaker trading partners which were increasingly exposed to bilateral pressures. Their interest therefore lay in a strengthening of the system. Departure from the basic principles and rules of GATT had resulted in discrimination against developing countries, and recent years had seen a proliferation of such mechanisms as quantitative restrictions, voluntary export restraints, and anti-dumping and countervailing measures which deviated from MFN treatment and discriminated against developing countries' trade. The developed countries increasingly attached various conditions to their GSP schemes, thus undermining the basic principle of the GSP. The developing countries, in turn, found it difficult to assume new obligations with regard to the trading system when the developed countries had not implemented the commitments made in GATT and at UNCTAD VI on a standstill and rollback of protective measures. The developing countries could not be expected to accept wider application of reciprocity when it was impossible for them, owing to monetary and financial stringency and low commodity prices, to achieve even minimum growth rates, to eliminate balance-of-payments imbalances and to arrest declining standards of living and rising unemployment.

129. He said that in order to ensure the participation of a large number of developing countries in future multilateral trade negotiations it was necessary that, prior to the negotiations, the developed countries should undertake firm commitments on standstill, subject to multilateral surveillance; should commit themselves to a rollback of all measures inconsistent with GATT obligations within a period not exceeding three years; and should reach a safeguard agreement based on non-discrimination. It was also necessary to improve the GSP so that the existing schemes applied to all developing countries and covered all products of interest to them, while ensuring observance of the basic principles of non-discrimination and non-reciprocity.

130. He was of the view that the new round of negotiations should aim to bring within GATT rules and principles in sectors such as international trade in textiles and clothing, and agriculture, as well as further improvement of differential and more favourable treatment for developing countries in these and other sectors; full liberalization of trade in tropical products; reduction and elimination of quantitative restrictions; elimination of tariff escalation; promotion and strengthening of dispute settlement procedures and enforcement mechanisms of the GATT with a view to safeguarding the rights of developing countries.

131. The old assumptions about the stability of commodity prices and of the international monetary and financial system, about the existence of virtually equal trading partners, and about tariffs as the single and most important safeguard were a far cry from reality. On the other hand, the operations and restrictive business practices (RBPs) of transnational corporations and new technologies were exceptionally important for the pattern and volume of world trade. Therefore, it was indispensable that a new trading system should reflect all these changes. In addition, determined and concerted international action should be taken to ensure the expansion of trade of developing countries. Failure to do so would lead to increasing differences in economic development between developed and developing countries, which might have unforeseeable consequences. In the forthcoming period it was particularly important that UNCTAD should continue to monitor on a more regular basis tendencies and trends affecting trade and development of developing countries, as well as to undertake further studies as a basis for a comprehensive review and discussion at UNCTAD VII aimed at improving market access for developing countries and strengthening the multilateral trading system. UNCTAD could provide the necessary technical and other support to the future trade negotiations, as in the previous round.

132. He noted that the secretariat reports pointed out the problems confronting the developing countries. It clearly illustrated the heterogeneity and complexity of the services sector, its links with new technologies, investment, the productive sector and the overall social and economic structure of a country, as well as the interdependence of individual services and specific development and trade problems. Future international co-operation should take into account these realities. It was very difficult to attempt a joint approach and modalities for the liberalization of international trade in services. He considered that future international co-operation in services should avoid establishing links between trade in goods and trade in services, since that would place all developing countries, including Yugoslavia, at a disadvantage. National treatment and application of other principles advocated by some developed countries would considerably slow down the development of certain services sectors in the developing countries. The developing countries should receive additional financial, technical and other assistance to permit a more rapid and effective development of those services sectors that were essential for their faster development and for the elimination of obstacles to that development, such as the RBPs applied by transnational corporations. UNCTAD should continue to monitor the trends and structural changes in the services sector and improve the relevant data base, as well as prepare studies on services that were of particular interest to the development of trade of developing countries.

133. The representative of the United States of America endorsed the statement made by the spokesman for Group B. Since the current session of the Board coincided with the preparatory activities for the Ministerial Meeting of GATT in Punta del Este and the launching of the new round of comprehensive multilateral trade negotiations, the secretariat had naturally highlighted the negotiations in its documentation and the importance attached to the strengthening of GATT in order to respond to the changing problems facing international trade. At the same time, however, the secretariat had criticized the GATT and disregarded some of the fundamental changes going on in the world economy, in particular the significant roles that many developing countries were playing in international trade today. His delegation had hoped that the secretariat would have pursued some of the ideas raised in those

documents as it prepared for the review of the international trading system and the completion of the review, as mandated in resolution 159 (VI). It had been confronted, however, with a very negative and pessimistic outlook for the GATT and for an improved trading environment that was responsive to the changes in the economic situation. Instead of taking a long-term general look at the trading system, of which GATT was admittedly a vital component, the secretariat had chosen to focus on the activities in GATT over the past year connected with the work of the Preparatory Committee and had completed TD/B/1101 before the conclusion of the GATT process. However, through the discussions in the Preparatory Committee in GATT, developed and developing country positions were now close enough to allow one to hope for a favourable outcome at Punta del Este.

134. He observed that, after several years of high inflation, recession, mounting debt, unemployment and factory closures, and the spectre of devalued currencies which had haunted many countries, economic recovery and a return to non-inflationary growth had taken place in many parts of the world, although the pace of the recovery had not picked up in all industrialized countries or, for that matter, among developing countries in general. The Tokyo Summit in May 1986 had resulted in a commitment on the part of the participants to make efforts to co-ordinate economic policies in order to bring about increased opportunities for their own economies and world trade. If the developed and developing countries members of UNCTAD were to resolve together the problem of revitalizing world economic growth, they would need to develop policies to deal effectively with both domestic and international economic problems.

135. He noted that the secretariat report on the international trading system (TD/B/1101) concentrated on the shortcomings of the GATT and, by implication, of the entire trading system, as well as on the measures and practices employed by the developed countries alone. Scant attention was given to the positive impact of the contractual obligations undertaken, such as the temporary benefits granted to developing countries to help them to become full partners in the trading system as their economies developed and the important contributions these temporary grants and rights had made over the years to the phenomenal expansion of world trade flows. Both the developed and the developing countries shared responsibility for ensuring that the international trading system and the global economy functioned in a manner that was beneficial to general growth and development. A serious general review of the trading system would have to consider the changes in the system and the increasing role that developing countries were playing as competitors in international markets. The United States delegation believed that trade liberalization and strengthening of the GATT in response to changes in the world economy were only a part of the solution for creating a more favourable trade and economic environment. Continued access to markets and structural change would entail a variety of complex internal and external factors which must be dealt with effectively to achieve economic development and growth.

136. Referring to the United States Administration's economic recovery programme, which offered incentives to invest, to increase productivity, and to reduce inflation from the high levels reached in 1979-1980, he said that it had encouraged investment and led to the most rapid economic recovery in the post-war period. The present tax reform proposal was essential for strengthening the economy and making United States business more competitive in international markets; and the Government has been attempting to reduce the burden of its regulations that needlessly hampered United States economic growth, productivity and trade performance.

137. As for the secretariat report on services (TD/B/1100), he disagreed with some of the descriptions and prescriptions set forth in the second half of the report, although the report correctly recognized that producer services were a key intermediate input in the production process, and that the availability and efficiency of these services in developing-country economies had important implications for growth and development. However, his delegation did not agree with the conclusion that developing countries must adopt an infant industry approach to strengthening their services sectors. He believed that it was possible, without taking the infant industry approach, to balance the needs of the economy and the domestic social objectives with the benefits that could be derived from an open environment for services, without prejudice to the sovereignty of any country, developed or developing. The human and financial capital necessary for a strong services sector could be developed by more open markets for services and should be encouraged by the negotiation of multilateral rules for services under the aegis of the GATT, as developing countries could benefit from importing services and opening their markets to services enterprises from abroad. If developing countries were not exposed to the best and the latest producer services through interaction with international services activity, their own producer services would not be competitive. Waiting for domestic producer services to develop might needlessly hamper the development of local manufacturing, since a service, unlike a product, cannot simply be imported and copied. The report assumed that the relative underdevelopment of the producer services sector was the result of large enterprises and transnational corporations monopolizing these services, yet no evidence was presented to show that transnationals would not use locally-provided services in developing countries if they were available, were of high quality and were competitively priced. If no appropriate local services existed, companies had no choice but to provide their own.

138. He also noted that the rapid growth of producer services had been a result of policies that encouraged entrepreneurship and new business formation, and this provided the basis for small firms to develop niche services to sell to larger firms at lower prices than such firms could provide for themselves.

139. His delegation agreed with the assessment in the secretariat report that education/training and modern telecommunications infrastructure were necessary for a strengthened services sector in developing countries. However, he felt that developing countries also needed to encourage private-sector development and interaction with state-of-the-art producer services through open markets. Many services were system-dependent and had to be constantly adapted to consumer needs and new technologies.

140. In conclusion, he said that his delegation did not agree with the analysis of the application of trade principles to services, since this was more appropriately discussed elsewhere. It was unfortunate that the secretariat had concluded that negotiations on services would not be beneficial to the interests of developing countries, particularly in the light of the analysis the secretariat itself had made. His delegation would be interested to learn more from the secretariat about its work programme, the progress achieved in assisting the developing countries with their own national studies, and the programme on statistics in the services area.

141. The representative of Canada observed that the review of the international trading system was being held on the eve of the special session of the GATT Contracting Parties at Ministerial level, which would provide an occasion for dealing concretely with the problems and opportunities under discussion in the Board. As a country relying on international trade for its economic well-being, Canada was acutely aware both of the recent erosion which had taken place in the multilateral trading system and of the benefits which the system provided. Unfortunately, the secretariat, in its evaluation of the trading system, had dwelt on the first aspect and neglected the benefits which all participants, developed and developing, obtained from it. The secretariat documentation was particularly harsh in its criticism of the trading system as it was embodied in the GATT, and had failed to appreciate the stake which all trading nations had in the GATT. Canada fully agreed on the urgent need to revitalize the trading system, and stressed the need to build upon the existing consensus.

142. In this regard, the new round of negotiations in the framework of the GATT must go forward with a comprehensive, ambitious and balanced agenda that reflected the interests of all participants. It was the Canadian expectation that the new round would counter current protectionist pressures in the world trading system, improve market access on as broad a base as possible, strengthen the international trading system, establish effective disciplines in world agricultural trade and address the whole range of issues that countries had identified.

143. All trading nations benefited from a well functioning and open multilateral trade system; in order for it to be fully successful, all must be ready to contribute to that system in a manner commensurate with the benefits they obtained from it. Not only the developed countries but also the largest and most advanced of the developing countries had a responsibility to participate in and contribute to an international trading system which enhanced the economic development prospects of the less and the least developed countries.

144. There was a wide diversity among developing countries - in policy and institutions, in economic performance, in size and in other conditions - which should be taken into account. There were lessons to be learned from developing countries which, over the past decade, had succeeded in achieving unequalled growth rates and increases in exports. Some of the largest developing countries had enjoyed continuing economic growth, even in the face of the recent deteriorating trade situation which had had such a severe impact on a number of the smaller trading nations, particularly the least developed countries. The multilateral trade negotiations would be important for the least developed countries, and Canada encouraged and supported their active involvement in the negotiations.

145. During the new round of multilateral trade negotiations, agricultural and resource-based products would be of particular interest to developing countries as well as to a number of developed countries, including Canada. It would be important for these countries that the negotiations agree to further liberalize trade in these sectors, including tropical products, notably through the reduction or elimination of tariffs, tariff escalation, and non-tariff barriers. The international agricultural trade situation had continued to deteriorate seriously; the international market was now characterized by structural surpluses and massive trade distortions, calling

for more effective international disciplines on subsidies affecting agricultural trade. The new round of multilateral trade negotiations offered the best opportunity to determine solutions to the basic problems of restricted access and trade distorting subsidies which had largely contributed to the current crisis. Bilateral and multilateral efforts must be made now to resolve the serious problems in this sector.

146. Turning to the role of services in development, he joined others in commending the secretariat for the preparation of a report which would be very helpful to developing countries in determining appropriate policy choices in developing their services sectors, although the final chapter of the report strayed from the UNCTAD mandate, and certain aspects of the report, such as those found in paragraphs 18 and 55, did not benefit from the same rigorous analysis found elsewhere in the document. Canada supported the detailed commentary on the report found in the Group B statement. It was clear that UNCTAD could contribute to greater understanding of the role of services in the development process and his delegation welcomed and encouraged further UNCTAD work in the area.

147. Canada firmly supported the inclusion of services in the multilateral trade negotiations as an integral part of one comprehensive negotiation in the framework of the GATT. Canada was itself mindful of the need for the highest quality service inputs at the lowest possible cost, in order for Canadian products to remain competitive in increasingly difficult international market conditions. He encouraged the secretariat as well as countries, both developed and developing, to take this consideration into account when evaluating the role of services in development.

148. The representative of Switzerland, while recalling that the review of the international trading system should not aim at establishing rules and should remain general and not sectoral, pointed out that underlying the review was a malaise stemming from the declining participation of developing countries in world trade, which called into question the merits of the present system. This decline could be attributed to an inability of certain countries to diversify or upgrade their exports of raw materials, to infrastructures which reduced their chances of participating in international trade, to a misallocation of resources which had stifled their competitive potential, to technological advances which had eroded comparative advantage, to external financial obligations which had precluded the modernization of their productive capacity, or to obstacles faced by their exports. Problems of this magnitude could not be resolved in the context of the trading system itself, although it was necessary that the system should facilitate the participation of developing countries in world trade. In the view of Switzerland a trading system which would facilitate the active participation of all, especially small and medium countries, would have the following characteristics:

(a) resource allocation according to market principles;

(b) the principle of non-discrimination;

(c) equal treatment;

(d) a set of rights and obligations constituting a secure and predictable framework, encouraging an orientation toward external markets;

(e) an equilibrium between the security of access to markets (subject to agreed exceptions), and an opening to innovations and to the dynamism of comparative advantage and shifts in competitiveness;

(f) the capacity of this framework to extend to all international trade flows, taking account of existing specificities;

(g) a treatment of developing countries which placed more emphasis on assistance and co-operation than on reciprocity, on the condition that these countries would gradually subscribe to the normal régime.

The positive effects of such a system depended on compatible economic, monetary and financial policies. He considered that the trading system faced a major challenge resulting from a fundamental transformation of the structure of world trade with respect both to countries and to products traded. Efforts were indispensable to overcome this challenge.

149. It was regrettable that the secretariat had chosen in its documentation an asymmetrical approach which considered only the problems of one set of participants and the responsibilities of the others. A solution to the problems of the trading system called for common efforts and co-responsibility. An approach oriented towards the maintenance of the status quo and which ignored the profound changes in economic realities would only contribute to the continued erosion of the multilateral contractual system and thus discourage the development process.

150. The representative of Argentina said the reports by the UNCTAD secretariat had clearly defined the problems and obstacles facing the international trading system. He highlighted the erosion of principles and rules of multilateralism and the increasing number of restrictions applied to exports of developing countries. He supported the statement by the spokesman for the Group of 77 but wished to highlight some points of interest to his country.

151. With respect to structural adjustment, the secretariat report observed that key sectors of developing countries' economies, such as agriculture and textiles, had been facing increasing protectionist trends in the developed countries' markets, whose origins could be found in structural rigidities in these sectors. In particular, the agricultural sector in the main developed countries had been isolated from the laws of competition and world prices, through national policies based on protectionism and high production costs. The situation in the agricultural sector had been further aggravated in recent months as a result of the "subsidy war" between the United States and EEC, which had resulted in enormous downward pressure on world prices in some products and the loss of market opportunities for traditional, efficient suppliers. All this led to a trade environment that was extremely unfavourable to developing countries at a time when these same trading partners were calling for a further liberalization of international trade. Argentina considered that the studies of the international trading system being conducted by the secretariat under Conference resolution 159 (VI) should be continued so as to permit the treatment of this issue at UNCTAD VII.

152. With respect to services, despite the high quality of analysis of the documents prepared by the secretariat to date on a sector that was still little explored, the developing countries viewed with concern the urgency given to this subject by the developed countries. Their simplistic approach, limiting the question to purely trade issues, conflicted with the recognition of the fundamental role of services in the development process. In addition to continuing its ongoing studies on services, the UNCTAD secretariat should examine the following:

(a) the link between the global development of developing countries and the tradeability of services;

(b) the effects and costs of an eventual liberalization of services on the balances of payments of developing countries;

(c) the impact of transnationalization of services on the economies of developing countries, and of the principles of national treatment, right of establishment, MFN clause and dispute settlement, currently being analysed in GATT;

(d) differential treatment in favour of developing countries.

153. The representative of the USSR endorsed the statement by the spokesman for Group D and said that his delegation attached particular importance to the review of the international trading system. One of the main characteristic features of the system was the practice of aggressive protectionism which had brought international trade relations to a state of tense stagnation. The protectionist measures introduced more often than not took the form of "voluntary" export restraints, anti-dumping and countervailing duties, quantitative restrictions and agreements on minimum prices. Most of them were of a discriminatory nature. The USSR was particularly concerned about the continuing erosion of the legal principles of international trade, including the departure from such basic categories as the principles of most-favoured-nation treatment and non-discrimination. Centrifugal forces which were disrupting the international trading system had brought about an atmosphere of mistrust and tension, and were often manifested in trade restrictions introduced for non-economic reasons, including discriminatory restrictions of exports. Anti-dumping procedures had become the leading instrument in restricting exports from socialist countries; they had turned out to be a permanent method of restricting or even prohibiting entry of competitive goods from those countries. The number of anti-dumping measures applied by the EEC against Soviet goods had increased from six in 1980/81 to nine in 1984/85. In the first half of 1986 the Commission of the European Communities had reopened the anti-dumping investigation concerning imports from the USSR of paper and kraftpaper. Because of high anti-dumping duties, exports of certain goods from the USSR to the EEC countries had become virtually impossible.

154. He said that the USSR paid great attention to both the preparations for a new round of multilateral trade negotiations in GATT and its subject matter. It believed that the new round should be open to all interested States. As was known, the USSR had expressed its wish to participate in the new round, in which its aims would be: (a) to contribute to the improvement of trade policy

conditions for international trade, including trade in specific sectors, and to the elaboration of decisions to this effect; (b) to expand trade between the USSR and the Contracting Parties to GATT, and to strengthen co-operation and mutual confidence.

155. In conclusion, he noted that the universal importance and the urgency of the tasks of normalizing international economic relations, establishing equal trade and economic links among countries, and guaranteeing the economic security of States made it essential to activate the work of the Trade and Development Board on the review and assessment of the present state and perspectives of the international trading system. The real bases for this activity were the universal nature of UNCTAD and its mandate, which once again had been confirmed in Conference resolution 159 (VI). He reiterated the position of the USSR that those reviews should be conducted by the Board on a regular annual basis. In this connection, he appreciated the report on the international trading system prepared by the UNCTAD secretariat (TD/B/1101) since it was a useful contribution to the examination of this issue. However, he drew the attention of the secretariat to paragraph 71 of the report which misinterpreted both the problems of trade among countries having different economic and social systems and possible perspectives for development of such trade.

156. The representative of Australia said he wished to add further perspectives to the Group B statement on the international trading system, as well as to supplement the relevant parts of the Australian statement on interdependence and debt. He felt that the present constructive dialogue was a timely adjunct to the intensive preparatory process for the GATT Ministerial Meeting in Punta del Este to launch a new round of multilateral trade negotiations. Preparations for a new round of trade negotiations had taken place against the background of an international trading system which had not functioned efficiently or effectively for many years. Protectionism and other barriers to trade had proliferated during the difficult period of low world economic growth and had accentuated the shortcomings, such as the unequal and unfair treatment of agricultural production and export subsidies, the increasing use of non-tariff measures, the abuse of rules of "safeguard" protection, "grey area" measures, tariff escalation, dispute settlement, etc. Australia considered that the GATT system had not prevented flagrant trade distortions; the fundamental problems in the scope, application and observance of the international rules of the game placed the system itself at risk. His country gave strong support to launching the multilateral trade negotiations, in the belief that such a round was necessary to achieve, indeed restore, balance, equity and the very ability of the multilateral trading system to provide real and sustained liberalization and trade growth. The new round would offer countries an opportunity not only to reaffirm their basic commitment to multilateralism and to improving the conditions for greater stability, security and expansion of trade, but also to give effect to what would be a major co-operation undertaking. The commitment to reform and strengthen the role of GATT, to improve the multilateral trading system on the basis of the principles and rules of the GATT, and to ensure a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines, would bring about further liberalization and expansion of world trade to the benefit of all countries, providing a very real stimulus for widespread economic and trade growth, and greater stability, predictability and reliability, which were so lacking at present. Many areas left over from previous rounds of negotiations had been unsatisfactorily handled or largely ignored.

157. In the view of the Australian delegation, nowhere were the difficulties in the international trading system more evident, more deep-seated and more severe than in the current crisis in world agricultural trade, which threatened to degenerate into a major agricultural trading war. The use of the many measures - such as non-tariff barriers, subsidies, safeguard measures and agricultural protectionism - had altered the basic economic link between efficient production and trade on a commercial basis, and had led to far-reaching implications and high costs for all concerned, distorting resource allocation and income distribution, undermining growth and development prospects, and exacerbating the problems of indebtedness and debt servicing for developing and many other countries, which compounded the problems of market access. The principal cause of the crisis in world agricultural trade was the massive and increasing levels of domestic agricultural protection and export subsidization by certain economies - particularly the major industrialized countries. The domestic agricultural policies in these countries had reduced access to markets and had led to the accumulation, and dumping, of large surpluses on world markets, causing artificial depression and destabilization of world agricultural and other commodity prices to unrealistic, uneconomic levels unprecedented in recent decades, shifting the burden disproportionately to efficient producers and forcing many out of world markets. What was particularly needed was the phase-out of all export subsidies affecting trade in agriculture and of all other measures that restricted access andd distorted trade in agricultural products.

158. He recalled that recently Ministers and representatives of 14 (10 developing) key fair-trading countries in agriculture had met in Cairns, Australia, to consider the crisis in agricultural trade and to identify areas of co-operation and common aims to bring about lasting solutions. At that meeting, Australia's Prime Minister had stressed the importance of the new round of negotiations and had stated that it was the main and probably the only opportunity over the next decade to restore some sanity to the international trading system, in particular in agriculture where efficient producing countries were being seriously affected by the subsidizing and restrictive market access policies of other major Western industrialized countries. The securing of remedies to the agricultural trade crisis was of fundamental importance, as was equivalent treatment and the same régime for agricultural industries as were applied to industrial products.

159. Some of the important elements of the declaration from the Cairns Meeting of Ministers included (a) agreement that there was an urgent need to reform and liberalize agricultural trade so as to improve the economic prospects of all participating countries; (b) recognition of the agricultural trade crisis and its crippling effects on the economies of agricultural exporters - notably debtor nations, whose ability to service their debt had been continuously eroded - reflecting the undertakings given at the Tokyo Summit of seven industrialized countries in May 1986 to work towards the resolution of the problems created in world agricultural markets by their inappropriate domestic policies (this could only be achieved by a programme of market liberalization, including a marked reduction in subsidies); (c) emphasis on the importance of the multilateral trade negotiations' addressing agricultural trade issues as a matter of high priority and securing the removal of market access barriers, substantial reductions of agricultural subsidies and the elimination, within an agreed period, of subsidies affecting the agricultural base; (d) recognition that, at Punta del Este, the draft Ministerial

Declaration to launch a new round would be subject to discussion and decision at Ministerial level for the first time; (e) endorsement of the need for a strong commitment to give a high priority to resolving the long-standing issues in agriculture and tropical products, while questioning the value of a new round which failed to solve the long-standing problems in agricultural trade; (f) the view that the commitments on standstill and rollback would be a test of the good faith of all countries in joining the negotiations, and that the standstill and rollback commitments should specifically cover all areas of trade in goods, including agriculture, and that appropriate multilateral surveillance should be implemented to that end; (g) agreement that additional efforts were needed in order to ensure that problems of world trade remain high on the international agenda, including the need to secure early changes in current domestic farm support policies of those countries whose policies adversely affected international trade in agricultural products; and (h) agreement that, while the GATT negotiations were under way, the causes of and solutions to the current crisis in agricultural trade should be at the forefront of consideration in all relevant international forums.

160. These conclusions reflected the depth of concern and widening consensus of views at the Cairns meeting, and at earlier meetings in Thailand, Uruguay, the Philippines and elsewhere. The value of the recent meetings of agricultural producers was that they had demonstrated the co-operation that existed between developed and developing countries in addressing common problems associated with the erosion of the multilateral trading system. The secretariat report might have better reflected their common interest.

161. He noted that there had been growing recognition and formal expression elsewhere on the part of the major industrial nations of the need for structural reform of agricultural production, pricing policies and income supports, to encourage greater convergence between world prices and domestic prices for farm and other commodity prices. From Australia's point of view, the success of the new round would depend very heavily on high priority for, adequate treatment of, and concrete results in the agricultural sector.

162. Australia agreed that the issues posed by the rapidly expanding trade in services should be included in the new round of negotiations. In this respect, the secretariat report on services (TD/B/1100) and its work on services in the development process had clearly been well received and were most helpful.

163. Referring to the report on the international trading system (TD/B/1101) he observed that the basic assertion made was that the international trading system was being choked by increasing protectionist pressures and that developing countries had been particularly damaged as a result of slowing growth in world production and world trade; declining terms of trade for agricultural products and other commodities; subsidies and unfair trade practices; difficulties in gaining access to markets in developed countries for manufactures that reflected the comparative advantage of developing countries; and difficulties in debt servicing. Many of these points would apply equally to countries like Australia that were heavily dependent on commodity trade, but the secretariat's report did not identify specifically the problem of this sub-set of developed countries, nor was any distinction drawn between developing countries whose exports were characterized by products embodying high levels of capital and skilled labour, and those whose economic activity was characterized by services. Despite these shortcomings

his delegation could agree with the diagnosis of the factors that had contributed to the erosion of the open multilateral trading system (chapter I) and, to a lesser degree, the changes that had occurred in the world economic system and their impact on trade (chapter II). More care was required, however, before endorsing the section on initiatives to strengthen and improve the trading system (chapter III), although there was much in chapter III that was readily acceptable. There was, for example, the emphasis on (a) restoring the application of the unconditional MFN principle; (b) the need for meaningful standstill and rollback commitments; (c) the importance of a comprehensive safeguards agreement which excluded selectivity; (d) the need for positive structural adjustment to align production with the realities of the international market place; (e) the value of appropriate multilateral surveillance mechanisms; and (f) the need for effective dispute settlement procedures within the GATT.

164. He stated that Australia strongly believed that UNCTAD could make constructive and valuable contributions by helping to focus on the causes of the crisis in world trade, the factors inhibiting its liberalization and growth, and possible solutions. There was, within existing mandates, considerable scope in UNCTAD to provide direction on work programmes to complement and facilitate, but not duplicate, the new round taking place within the GATT.

165. He recalled that, at the thirty-second session of the Board, Australia's comments on protectionism and structural adjustment had indicated that this area could be one of the touchstones of the programme of revitalization of UNCTAD, on a global basis covering all countries and groups and all trading sectors. The aim would be to increase the availability of information relevant to international trade and to increase transparency in the international trading system and, in this context, UNCTAD could play a valuable and influential role in giving greater public exposure to issues facing the international trading system by creating a favourable climate when such issues reached the negotiating table. He emphasized some specific areas of useful work which the secretariat could do, such as: (a) quantification of the impact of agricultural support mechanisms in developed countries on the trade revenue of developing countries; (b) intersectoral effect within countries of agricultural protection; (c) effect of developed and developing country agricultural practices on developing country strategies involving policies to increase domestic food production and food security; (d) prospects for an increase in commercial demand for agricultural products.

166. In conclusion, he stated that his country looked forward to further constructive discussion and the exchange of divergent views to give countries a better understanding of, and hope for, future major improvements in the international trading system for the benefit of all parties.

167. The representative of India complimented the secretariat for the extremely useful and balanced documentation prepared for this review and fully endorsed the statement made on behalf of the Group of 77. He did not wish to dwell at length on the strains which had crept into the international trading system in recent years, how the principles and provisions of the open, non-discriminatory multilateral trading system continued to be eroded and violated with impunity, and how protectionist measures imposed by the developed countries had intensified, particularly over the past year ever since calls for a new round of trade negotiations had been made by some

developed countries, and how such measures continued to be applied with greater severity against exports of developing countries. The recently concluded and more restrictive Multi-Fibre Arrangement bore witness to these trends, as did the increasing resort to voluntary export restraints and other grey-area measures, bilateralism and sectoralization, etc.

168. The most serious development was the increasing tendency on the part of certain developed countries to make the continued availability of the existing level of access for the export of goods from developing countries conditional upon the developing countries' agreeing to open up their markets in the sensitive sectors of services. This constituted a fundamental threat to the existence of the multilateral trading system as embodied in GATT.

169. He said that the most important task facing the international community today was preservation and strengthening of the open, non-discriminatory multilateral trading system. His delegation has always held that a new round of trade negotiations would not, by itself, solve all the problems facing the international trading system. Preserving and strengthening the system would be possible only through immediate steps to arrest the erosion of confidence in, and credibility of, the system through immediate action on standstill of protectionist measures to prevent further deterioration of the system and a quick time-bound rollback of protectionist measures to reverse the deterioration which had already taken place. A comprehensive agreement on safeguards was necessary on an MFN basis; so were trade liberalization measures based on the effective application of the rules and principles of GATT in the trade in goods.

170. Commenting on the statement made by the spokesman for Group B - in particular with regard to the alleged contradiction between the call for adherence to the MFN principle on the one hand and the need for special and differential treatment in favour of developing countries on the other - he said that he did not see any contradiction in this regard. MFN treatment certainly constituted a basic principle on which the multilateral trading system was - and ought to be - based, but it should be borne in mind that the system had come into being among unequals; equality of opportunity would be relevant only among equals. It was in this context that India had always opposed any suggestion of implicit reciprocity in trading relations when it involved developing countries, beset as they were by balance-of-payment difficulties.

171. In the view of India, the multilateral trading system as embodied in the GATT did not address itself effectively or adequately to the problems in commodities or at all to the issue of restrictive business practices, particularly those applied by the transnational corporations. While the GATT did contain a reference to the commodities problem, surely it would not be unreasonable to argue that any trading system must take fully into account issues relating to commodities, restrictive business practices, etc., which affected a large number of developing countries.

172. He could not subscribe to the point made in the Group B statement that the concept of universality was not consistent with the contractual nature of GATT. In his view, if the multilateral trading system were not universal, it would tend to relate to a bloc and to that extent it would not be a truly international system. Therefore, the concept of universality would only strengthen the multilateral trading system.

173. Similarly, it would appear necessary and desirable to have a comprehensive trading system which would deal effectively with problems relating to commodities and restrictive business practices, particularly by the transnational corporations, since these corporations now accounted for a significantly large part of international trade. In this context, he endorsed the proposal in the Group of 77 statement that the UNCTAD secretariat should prepare a blue-print for such a comprehensive system (universal, non-discriminatory and taking into account the particular needs of the developing countries), which could be discussed at UNCTAD VII.

174. Lately attempts had been made to extend the trading system to areas such as services, investment and intellectual property issues which would make an absurdity of it. The disciplines and approaches of GATT were meant to deal with trade in goods and commodities moving across national borders and could not be transposed to such issues. Attempts to apply a GATT-like approach to the field of services, investment and intellectual property would lead not only to perpetuation of the existing international order but also the accentuation of its inequity and asymmetry. An across-the-board multilateral discipline in the area of services was not feasible in view of the heterogeneous nature of various service activities, their close linkage with the socio-economic philosophies and goals of different countries, and their implications for national security and sovereignty. Moreover, international agencies already existed for dealing with specific services sectors, such as ITU, IMO, ICAO, IATA, the Inter-governmental Bureau for Informatics and UNCTAD. There would first have to be an examination to see whether there was any need at all for a multilateral framework in trade in services.

175. He shared the view expressed by the spokesman for Group B that the secretariat documentation for the current review touched on political and social matters which should be left to Governments to decide. Domestic factors and internal policies of countries or even such issues as privatization, which were matters for sovereign Governments to decide upon, should be left to them. But he could not agree with the Group B proposal that future work under this item should aim at "setting out consequent domestic policy options for developing countries", as any examination of domestic policy options was clearly a prerogative of the developing countries concerned. In his view, the services sector was a very small sector and not the engine of growth for developing countries. UNCTAD should rather study the link between the policies of developed countries and the development of developing countries.

176. The representative of Guatemala stressed the importance of services for developing countries, and especially the urgent need to provide UNCTAD with adequate financial resources to fulfil its mandate under Board decision 309 (XXX). She noted that no doubt existed in the Board as to the importance of the role of services in the development process. However, the diversity of needs and availability of resources for developing countries should be taken into account in meeting requests for assistance from these countries.

177. She stated that her delegation fully agreed with the proposals presented by the representative of the European Economic Community on services, to the effect that UNCTAD's future work on services should be derived from information directly collected in developing countries in order to deepen the

analysis of different themes. She referred specifically to the role of the informal sector in production and distribution of services, the role of services activities in income distribution and the increasing differentiations that operated in the structure of the services sector according to the level of development, particularly in the least developed countries. Guatemala appreciated the offer by the EEC to collaborate with UNCTAD in carrying out its mandate under Board decision 309 (XXX).

178. She concurred with the views expressed by the spokesman for Group B to the effect that the future work of UNCTAD should be oriented towards:
(1) enhancing the basic knowledge of the state of services sector development in different developing countries and determining what sector contributed best to development depending on local conditions and other factors; and
(2) setting out consequent domestic policy options for developing countries.
She hoped that the Group B countries would support UNCTAD in carrying out this mandate.

179. She also commended the decision taken by the Government of Japan to contribute $100,000 to support services-related activities in the ESCAP region, an action worthy of imitation by other developed countries. In order to meet requests for assistance from developing countries for the elaboration of the national studies on services, UNCTAD should establish a trust fund which could be supported by donations and contributions coming from sources other than UNDP.

180. Guatemala associated itself with the proposal formulated by the spokesman for the Group of 77 that UNCTAD should step up its efforts aimed at increasing financial resources available from UNDP and other sources.

181. The representative of Israel said that the current session of the Board, taking place immediately before the GATT Ministerial Meeting to be held at Punta del Este, should have aimed at contributing to the success of the latter meeting. However, in his view the documents prepared by the secretariat did not appear to have this objective in mind. He disagreed with many elements of the analysis contained in TD/B/1101, and with its apparently confused definition of the international trading system. For example, while the GATT system was based on the unconditional most-favoured-nation clause, it also included obligations to liberalize trade and to refrain from discrimination. It was only within this framework that one could refer to an unconditional MFN obligation. To talk about unconditional most-favoured-nation treatment outside the GATT system was unrealistic.

182. He expressed the hope that the GATT Ministerial Meeting would lead to a new GATT system, extending its coverage to services. Members of IMF were under obligations to liberalize trade in services, and he regretted that the members of the Board did not appear to be aware of the existence of such obligations.

183. On the question of services, he recognized that the report by the secretariat (TD/B/1100) contained a number of positive elements, such as its emphasis on the importance of services in the development of developing countries, the internationalization of services and mention of the possibility of examination of the factors contributing to developing countries' finding niches in the world market for services. Much of the secretariat's analysis would seem to have justified the integration of this sector into the world

trading system. However, the UNCTAD secretariat had attempted to draw different conclusions and to imply that developing countries neither wished to negotiate on services in GATT nor had any interest in doing so. He cautioned developing countries against missing the opportunity provided by the new round of multilateral trade negotiations to participate actively in negotiating new multilateral rules on trade in services.

184. The seemingly negative conclusions of the report with respect to the inclusion of services in the GATT dispute settlement process did not appear to be warranted. The GATT approach of dispute settlement by consensus provided an adequate safeguard for developing countries. In addition, Article XVIII, Part IV, and the enabling clause had all provided special treatment to developing countries which could also be applied to the services sector.

185. He concluded with an expression of confidence that the new round of multilateral trade negotiations would be successfully launched in Punta del Este, despite what he viewed as the obstruction of UNCTAD.

186. The representative of Brazil endorsed the statement by the spokesman for the Group of 77 and expressed his appreciation for the quality of the reports prepared by the secretariat (TD/B/1100 and TD/B/1101). He considered that the criticism of these reports by some other delegations seemed to be related to factors that were external to the UNCTAD reports themselves, tended to link the present examination of the international trading system with the discussions being undertaken in other forums and largely constituted repetition of discussions which to date had been inconclusive. In this context, the launching of a round of multilateral trade negotiations in Punta del Este should not be prejudged. Developing countries had already expressed their expectations that such a round of negotiations should cover all barriers to trade in goods, but in relation to services it had not been possible to reach a decision on the question of whether or not any multilateral action was appropriate and desirable. The UNCTAD secretariat could make an important contribution and should continue to study the relationship between services and development, and to give assistance to developing countries in preparing their national studies in the services sector.

187. The observer for the International Civil Aviation Organization (ICAO) stated that the issue of trade in services was a matter of particular interest to ICAO because international air transport was a service sector which, potentially at least, could be caught up in various discussions here and elsewhere on trade in services. Consequently, he wished to draw attention to ICAO's role and activity in, and the legal framework governing, this significant service sector. ICAO was the specialized agency of the United Nations that had a constitutional mandate in matters concerning international air transport. Its authority stemmed from the Chicago Convention of 1944. Its activities included the establishment of the technical rules of the air, in a series of annexes to the Chicago Convention, the negotiation of multilateral legal instruments covering various aspects of international air transport, the monitoring and studying of the economic and regulatory environment for international air transport, and the provision, as a UNDP executing agency, of a wide-ranging programme of technical assistance to developing countries for their aviation infrastructure, which was broadly recognized as an important element in the development process. With a membership of 156 States, ICAO also provided various opportunities for

co-operation, such as its Triennial Assemblies (the next one of which was scheduled to convene in a few weeks time) and, in recent years, the Air Transport Conferences where States and observer organizations could exchange views and pursue multilateral solutions for the economic and regulatory problems of the aviation industry. There had been considerable interest in ICAO in recent years in the degree of liberalization as well as co-operation which individual States might be willing to accept nationally and bilaterally. Although there was a wide spectrum of viewpoints on the above questions, there was also a recognition by States that the fundamentals as well as the mechanics of the international air transport system could and would be accorded constant attention within ICAO.

188. He said that the Chicago Convention provided not only the institutional machinery but also the statutory basis in international law for the manner in which air transport services were conducted between States. As a consequence of certain provisions in the Convention, air services between two sovereign States were normally operated in accordance with principles and procedures negotiated and agreed between the Governments concerned. Such arrangements established the acceptable degrees of protection, co-operation and competition between the airlines.

189. He recalled that in October 1985 ICAO had convened the Third Air Transport Conference, a world-wide meeting of air transport officials, which had addressed a broad range of regulatory problems. Among the issues discussed had been recent developments in trade in services and ICAO's role in the light of such developments. The Conference had expressed concern about the potential implications of trade in services developments for the established structures, practices and arrangements for international civil aviation, which were also seen to impinge on ICAO's constitutional role in this field. Consequently, the Conference had adopted a recommendation to endorse the central role of ICAO in the multilateral intergovernmental consideration of regulation of international air transport and had requested the ICAO Council to follow the work of other international organizations - such as UNCTAD, GATT and OECD - on questions related to trade in services. He also noted that a report on the work of other organizations on trade in services questions would be made to the forthcoming ICAO Triennial Assembly.

190. In conclusion, he said that UNCTAD was invited to take these factors into consideration in any examination it might undertake of the definitional aspect of the trade in services issue or in any treatment of international air transport as a separate services sector. ICAO was ready to co-operate and co-ordinate with UNCTAD, as with other organizations, in their consideration of services wherever this might have implications for ICAO or for the existing international air transport system.

191. In his concluding remarks, the Director of the Manufactures Division, commenting on the opinion expressed by several delegations that in the report on the international trading system (TD/B/1101) the difference between GATT and the international trading system was not clear, stated that it had not been the aim of the secretariat to go deep into definitions which had been examined in previous documentation on this issue. In particular, chapter II of a report prepared by the UNCTAD secretariat for UNCTAD VI 2/ had presented the secretariat's views as to what could be considered as the international trading system.

192. In response to the observations regarding the "pessimistic tone" of TD/B/1101, he explained that the main thrust of the report was to stress that the new round of trade negotiations should not be allowed to fail. The secretariat's intention had been not to discourage such negotiations but to caution against their possible failure. To reach satisfactory solutions, basic issues should be addressed. The process of negotiations could only succeed if a consensus was reached in this respect. Negotiations should be conducted in an atmosphere of goodwill and mutual understanding of the problems. The secretariat report should be seen from this perspective.

193. With respect to remarks that the review concentrated on what was expected from developed countries, he recalled that, since the report had been prepared pursuant to paragraph 14 of Conference resolution 159 (VI), the development needs of developing countries had been the focal point of the review. He emphasized that, owing to their large economies, many developed countries exercised substantial influence on world trade as a whole and on that of developing countries in particular. Accordingly, more responsibility and caution was required on their part in applying trade instruments.

194. Responding to comments made on the report on services (TD/B/1100), he said that, in chapter III, the secretariat had not attempted to make judgements but merely to give information on the activities in other international forums. He did not agree with the contention that in the secretariat's view the transnational corporations were obstructing the development process in the services sector; in many parts of the report (for example, paragraph 65) the role of transnationals in the production and transnationalization of services and their potential contributions to the development process had been explicitly recognized.

195. He noted that the secretariat's work on definitions and statistics had been based on the recognition that such definitions and the classification to be used in the collection of statistics should be constructed with certain objectives in mind, which, derived from UNCTAD's mandate in this area, should be that of assisting in the measurement of the contribution of services to growth and development and their links with other sectors. The existing internationally comparable systems seemed to have certain deficiencies in this respect, especially in that those services where international transactions were most dynamic and whose contribution to the domestic economy seemed to be of most rapidly growing significance, fell into basket categories in balance-of-payments and national account statistics.

196. In carrying out its mandate in this area, the secretariat had met with bodies active in this field such as the United Nations Statistical Office and IMF, and had discussed these problems in the ACC Sub-Group on Statistics. It intended to intensify this exercise in collaboration with these and other international bodies and hoped to be able to present a document containing the preliminary results of these studies. In this respect, he understood that certain countries were devoting considerable resources to improving their national statistics on trade and production of services, and the secretariat would appreciate receiving any information from capitals which could facilitate its work in this area.

197. With respect to the secretariat's assistance to countries in carrying out assessments of the role of services in their economies, he said that, as noted in the introduction to the report, over 20 countries had contacted the

secretariat in this context. The secretariat's main role in these studies had been to provide an input in the form of ideas derived from its studies on services and to play a co-ordinating role in the actual conduct of the studies which were normally carried out by nationals of the countries concerned.

198. He noted in this context that countries had shown considerable variety in their preoccupations with respect to the most effective contribution that could be made by the services sector. Some countries were concerned with the services sectors' contribution to improving the foreign exchange situation, while the interests of others lay primarily in increasing the quantity and quality of employment opportunities and incorporating more people as productive members of the economy. The main preoccupation of yet others was to increase the support of the services sector to other sectors of the economy, while some countries were interested in all these aspects.

199. The approach suggested by the secretariat and followed by most of the countries mentioned had been to prepare an initial diagnosis of the services sector in the country, the findings of which were presented to a "national seminar on services" which had the multiple objective of (a) sensitizing the Government, private sector and others to services issues; (b) giving these participants the benefit of the ideas of international experts on various aspects of services; and (c) enabling the co-ordinating body to have a clearer idea of national priorities. Subsequently, a team would be set up to carry out the main study, whose final report might lead to policy decisions. In only one developing country had this whole process been completed. However, the seminar stage had been reached in six other countries listed in TD/B/1100.

Action by Sessional Committee I

200. At its 6th meeting, on 8 September 1986, the Sessional Committee took note of the reports by the UNCTAD secretariat (TD/B/1100 and Corr.1 and TD/B/1101 and Corr.1).

Consideration in plenary

Action by the Board

201. At the 700th meeting, on 10 September 1986, the Board took note of the reports by the UNCTAD secretariat entitled respectively "Services and the development process: further studies pursuant to Conference resolution 159 (VI) and Board decision 309 (XXX)" (TD/B/1100 and Corr.1) and "Notes on developments in the international trading system for the review under Conference resolution 159 (VI), paragraph 14, and Board decision 320 (XXXI)" (TD/B/1101 and Corr.1).

B. Conference resolution 146 (VI) - Assistance to the Palestinian people

202. The representative of the UNCTAD secretariat, introducing the report entitled "Recent economic developments in the occupied Palestinian territories" (TD/B/1102 and Corr.1) prepared by the Special Economic Unit (Palestinian People), outlined the approach to and development of the overall work programme of the Unit and its orientation. He described the three aspects of the Unit's work programme, namely monitoring of economic conditions in the occupied territories, thorough analytical studies of issues and problems of priority concern, and the establishment of a data bank on the

economy of the territories. Referring to the main findings of TD/B/1102, he said that most key economic indicators analysed for the past few years pointed to a steady decline in growth and a deterioration in the economic conditions of the Palestinian people in the territories. In the present circumstances the long-term development prospects for the territories continued to be bleak. The UNCTAD secretariat hoped to be able to continue to contribute to Palestinian development efforts through considered and policy-oriented analysis and provision of useful and reliable data. The secretariat looked to Board members and the parties concerned for guidance and support in this task.

203. The representative of the Syrian Arab Republic expressed her delegation's appreciation for the serious work accomplished by the Special Economic Unit, as manifested in the report before the Board (TD/B/1102). The report contained a number of incisive and alarming facts, reflecting important aspects of the severe economic crisis suffered by the occupied Palestinian territories. The Unit had achieved this despite the difficulty of obtaining the necessary field information in the face of the continuing refusal by Israel to grant UNCTAD's request to field a mission for this purpose. She viewed with great concern the deteriorating economic situation in the occupied Palestinian and other Arab territories, which was aggravated by the Israeli occupation authorities' insistence on enforcing their policy of hegemony over the economy of the occupied territories, completely subordinating it to the Israeli economy. Since 1967, the Israeli occupation authorities had undertaken to regulate and enforce economic activities in accordance with their own policies. Israeli official policy in this regard was manifested in two ways: preventing any development of the economy of the territories from taking place; and refraining from issuing permits for industrial or agricultural expansion which might lead to economic development of the territories and end their subservience to the Israeli economy.

204. She said that the regulation by the Israeli occupation authorities of economic activity in the occupied Palestinian and other Arab territories was based on a strategy dictated by the overall expansionist interests of Israel and disregarded the economic and social rights of the inhabitants of those territories. This constituted a flagrant violation of international law and of the agreements which applied to such circumstances, as well as of the relevant resolutions of the United Nations.

205. She referred to the serious developments in the agriculture of the occupied territories, especially the effects of land confiscation and Israeli settlement on the competitiveness of Palestinian agriculture, the control of water resources and their diversion to Israeli farms and settlements. As for industry, the practices of the Israeli authorities had led to a decrease in the number of industrial units in the territories coupled with a fall in employment resulting from the closure of factories that was due to competition from subsidized Israeli industry and heavy taxation. Trade in the occupied territories had suffered from Israeli control and regulations, which reflected self-interest and expansionism and had led to an increasing deficit in the territories' balance of trade.

206. The situation called for greater international efforts to end the oppression suffered by the Palestinian people, against which they were struggling in anticipation of the implementation of United Nations resolutions which would allow these people freely to exercise their right to self-determination. She called for a condemnation of Israel's refusal to allow the

UNCTAD mission to enter the occupied territories to undertake the field research required for its work. It was a matter of the utmost urgency to implement Conference resolution 146 (VI) in full, especially with regard to formulating a development strategy for the inhabitants of the occupied territories. It was also important that the question of economic development in the occupied territories remain under review at the seventh session of the Conference so that international opinion could be kept informed of the expansionist Israeli policies.

207. The representative of Israel, referring to the report by the secretariat (TD/B/1102), regretted that the selected statistical tables prepared by the Special Economic Unit (UNCTAD/ST/SEU/1) had not been incorporated in TD/B/1102 and had therefore not been translated into Arabic. This would have allowed some of the critics of Israel to have had a clearer view of events in the territories. He recalled that the opening statement by the Secretary-General of UNCTAD had pointed to the problems of the developing countries and had noted that developments in the world economy had caused a renewed slowdown in growth of the developing countries in the past few years, heavy unemployment and a staggering debt burden. However, the Board was here called upon to examine only one among all the developing countries and territories, as if it were the prime example or the only territory to have been affected. An examination of the figures would show that this was certainly not the territory which was suffering most under the conditions outlined by the Secretary-General.

208. He noted that paragraph 15 of TD/B/1102 showed that the per capita GNP of the administered territories was $1,214. This alone gave some idea of the stage of development, and it was a figure of which Israel was proud. The secretariat had compared a similar figure, namely that of per capita GDP, to the average for all developing countries, which was shown to be $893. This average included developing countries with much higher per capita GDP figures, such as Qatar ($30,700), United Arab Emirates ($27,000), Kuwait ($13,000), Bahrain ($12,000) and Saudi Arabia ($12,000). The secretariat had tried to compare the income of territories that had no real resources with the average of all developing countries, including the richest in the world. The secretariat's figures showed the per capita GDP of the territories at $867. Although this was equal to that average, it was a misleading way to examine the conditions. The secretariat had argued, with some reason, that GDP was a true measure of development, though not of well-being. However, one figure was not sufficient to measure development. It was necessary to compare it to previous conditions in order to judge whether development had taken place. Referring to a document prepared by the Economic and Social Commission for Western Asia (ESCWA), entitled "The industrial and economic trends in the West Bank and Gaza Strip" (December 1981), he said that it showed that the GDP of the West Bank in 1965 was 50 million Jordanian dinars (approximately $140 million). The figures given by the secretariat (on page 9 of UNCTAD/ST/SEU/1) stated that the GDP of the West Bank - i.e. Judea and Samaria - in 1984 was $806 million. The increase from 1965 was something to take pride in; the GDP had increased nearly three-fold since Israel had taken charge of Judea and Samaria. That was indeed development in the full sense of the term.

209. With regard to the Gaza Strip, he said that the ESCWA study accurately described the highly unfavourable economic situation there before 1967. In paragraph 45 of TD/B/1102, the secretariat had given Israel a backhanded compliment by showing that the Gaza Strip was no longer a least developed territory, as it had been in 1965 according to figures for per capita GDP presented in the ESCWA report (approximately $125).

210. He drew attention to figures for the per capita GNP of the territories compared with those of Egypt and Jordan, which had administered the territories before 1967. Today, the two territories had an average per capita GNP higher than that of the two countries which had previously controlled them ($1,214).

211. With regard to agriculture, he said that a comparison of the figures in the ESCWA report with those in UNCTAD/ST/SEU/1 showed that the value of output in the territories had grown from $50 million in 1965/66 to $445 million in 1982/83. Allowing for the fall in the value of the dollar, these figures meant that the increase was about three and a half times. The fall in value of output of some 10 per cent, noted in the secretariat's figures from 1982/83 to 1983/84, could be accounted for by drought in that year. In paragraph 32 of TD/B/1102 Israel received another backhanded compliment when the improvements in agriculture in the 1970s were noted, though the subsequent decline was blamed on "constraints upon agriculture created by Israeli policy". At a symposium held by the United Nations on "Living conditions of the Palestinian people in the occupied Palestinian territories", and attended only by Arab experts (the findings of which were set out in E/1985/99 of 14 June 1985), it was stated that income originating in agriculture in the first decade of occupation showed a high rate of growth at an average of 10 per cent. This record could not be simply talked away, since figures for Jordan (where conditions were certainly similar) in the FAO Production Yearbook (Number 34) showed an annual increase of slightly more than 2 per cent in agricultural production between 1969/71 and 1980. Moreover, the secretariat's figures (UNCTAD/ST/SEU/1) showed agricultural exports to Jordan and industrial exports to Israel. However, neither industrial exports to Jordan nor agricultural exports to Israel were shown, perhaps because the secretariat did not like the figures. Yet agricultural exports from Judea and Samaria and the Gaza area to Israel for 1984 were equivalent to $24 million, or 32 per cent of total agricultural exports. The problems faced by many countries in promoting agricultural exports were well known. However, when Israel was accepting 32 per cent of the agricultural exports of the territories it could be said that Israel was doing more than could be expected of it, compared with what others were doing. Information contained in the UNIDO document UNIDO/IO/584 confirmed this and showed that Jordanian marketing agencies could not absorb West Bank tomato output or distribute it to other markets, leading to a collapse in prices and restrictions by the Jordanian authorities on tomatoes coming into the market.

212. He rejected claims that the fall in agricultural output of the territories was due to land confiscations. This could be confirmed by reference to what the secretariat called (in TD/B/1102) an "authoritative Israeli observer", namely Mr. Meron Benvenisti, who had been quoted approvingly more than 10 times in that report. According to Benvenisti's 1986 publication ("The West Bank Handbook", p. 3), the relative stability of land use refuted the contention that there had been a drastic decline in cultivation as a result of confiscation and closure. It was further claimed

that Israel took the water of the territories. The statistics prepared by the secretariat (UNCTAD/ST/SEU/1) showed that 6.4 per cent of the cultivated area in the West Bank was irrigated, whereas Jordan had about 8 per cent. It was surprising that no statistics had been provided in this document for the irrigated area in Gaza. This was not because they were not available, as could be seen from a UNDP booklet entitled "UNDP assistance to the Palestinian people" (June 1985) which showed that, in the Gaza area, 54 per cent of the total cultivated area was irrigated. That was a higher percentage than even in Israel's highly developed agriculture.

213. Turning to the situation in industry, he quoted from paragraph 37 of the ESCWA report which described the difficult conditions of migrant workers from the West Bank living in the East Bank before 1967, the consequences for both areas of this "unbalanced growth", and the absence of industrial planning for the West Bank in that period. The UNCTAD secretariat had pointed out that the industries in the territories were only small establishments. However, comparison of figures for the size of establishments with those for Jordan showed that, in per capita terms, the number of establishments in the territories was about twice as large as in Jordan today. Jordan was the right country to compare with, because it had the same conditions, the same people, and the same basic infrastructure. Moreover, the secretariat had noted, in paragraph 10 of TD/B/1102, that industry was a sector sustaining high positive growth - between 7 and 9 per cent - since 1982.

214. As for trade, he underlined the absence of figures on industrial exports to the Arab countries from the territories, because the Arab boycott prevented anything that came from Israel or from anywhere in contact with it. The territories thus suffered, since their exports could go only to Israel. Other markets, such as Egypt, were not available to the territories exports because of competing industries, while limitations were imposed by the Jordanian authorities on exports from the West Bank other than those emanating from factories established before 1967. This was the main and basic reason why industry in the territories was not yet sufficiently developed.

215. Regarding use of resources, he said that the secretariat claim that GDP - and not GNP - should be used as the measure of comparison (TD/B/1102, and Corr.1, para. 15) was strange since the term "resources" covered all resources at the disposal of the territories, whether generated domestically, or through labour that went to work in Israel. The secretariat report itself said that the provision by migrant labour of a part of national income through remittances was not uncommon internationally or regionally and that, far from being negative, it could be a growth-inducing source of income (para. 24). This had happened in the territories, and as a result, unemployment had been, according to the secretariat's figures, only 3.5 per cent in 1985, a figure that many countries might envy. As a result of the remittances from labour, in 1984 the balance of payments (table 9 of UNCTAD/ST/SEU/1) showed a deficit of only $3 million. Most important, the territories had no foreign debt. The statistics showed that 26 per cent of income had gone to gross domestic capital formation. Thus, figures on housing (E/1984/79, para. 57) showed a growth in dwelling units greater than population increase, as a result of development in the economy. Also, there had been a transformation in higher education facilities, which now numbered eight, whereas there had been none before 1967.

216. In conclusion, he said that the report of the secretariat was an instrument for making unfounded attacks on Israel. Israel had not only seen to it that the territories developed, but had even attempted to find a political solution, namely the Camp David Agreement. When countries were prepared to enter negotiations, there could and would be results. In accordance with the Camp David Agreement, Israel had been, and remained, willing to grant the territories full autonomy, including a self-governing authority and the withdrawal of the military government and its civilian administration. Those who thought they could use the secretariat report (TD/B/1102) for political purposes were mistaken.

217. The representative of Iraq said that the secretariat report (TD/B/1102) constituted an important step forward in the work of the Special Economic Unit. Despite certain shortcomings in the work of the Unit in 1985, work was now progressing well. He looked forward to seeing the Unit concentrate on the operational aspects of the deteriorating economic conditions in the occupied Arab territories in Palestine, in addition to suggesting a development strategy and programme for those areas. He also hoped that there would be full co-operation with ESCWA, which was itself undertaking a number of projects related to development in the occupied Arab territories of Palestine.

218. He also wished to point out some contradictions in the statement made by the representative of the occupation authorities in Palestine, who had referred to the Secretary-General of UNCTAD's statement on the overall recessionary situation of developed and developing economies. While this was true, it was the result of measures taken by developed market-economy countries, including the decrease in aid and transfers to developing countries - a decrease which had not been applied to aid and contributions to the occupation authorities in Palestine. Furthermore, the deterioration of all aspects of the economy in occupied Palestine was not surprising, since it resulted from the rising cost of colonizing those territories since 1967. For that reason, his delegation did not foresee a bright future for the territories in the years to come.

219. The spokesman for the Group of 77 (Bangladesh) said that his Group had noted with appreciation the work done so far by the Unit in conducting an overall analysis of recent developments and trends affecting the economy of the occupied Palestinian territories, and of the financial structures and activities, as well as in the development of a data base and co-operative programmes with other agencies. However, it had noted with regret that UNCTAD's effort to send a mission to the occupied territories had not been successful owing to the refusal of the occupation authorities. As a result, the work of the Unit had had to rely mainly on primary and secondary published sources of information. The Group of 77 had also noted the future activites of the Unit as envisaged in the 1986-1987 work programme of UNCTAD and set out in paragraphs (vi) to (viii) of TD/B/1102. His Group hoped that the in-depth studies proposed in the different areas, as called for under Board resolution 239 (XXIII) and other decisions, would be carried out in the near future on all important sectors of the economy and that the UNCTAD secretariat would be able to field a mission to the occupied territories to gain first-hand knowledge of the state of the economy of the Palestinian people in those territories.

220. In spite of the limitations and constraints imposed on the UNCTAD secretariat, he felt that the report prepared by the Special Economic Unit (TL/B/1102) was very revealing and pointed to the urgent need for corrective measures by the international community. The Group of 77 placed special emphasis on the following points:

(a) The continuing presence of a foreign occupation force and its interference in most aspects of Palestinian daily life had seriously affected the normal process of economic development. The per capita GDP of the occupied territories had lagged far behind that of other adjoining countries, including Israel, and had followed a persistent downward trend since the early 1980s.

(b) As a component of gross private income, GDP had fallen from 70 per cent in 1978 to a low of 58 per cent in 1983. The average annual growth rate of gross capital formation had been negative in both 1983 and 1984 and there were no signs of any improvement.

(c) The balance of payments of the occupied territories continued to be in deficit. Moreover, the serious constraints imposed by the policies of the occupation authorities on exports from the territories exacerbated the balance-of-payments problems.

(d) The settlement and investment plans for the occupied territories which continued unabated had deprived the Palestinian people of any control over their resources and infrastructure.

221. The Group of 77 firmly believed that, as long as the foreign occupation force maintained its presence and continued to intervene in all aspects of Palestinian life, the economic situation of the Palestinian people would continue to deteriorate. Conference resolution 146 (VI) expressed alarm at the Israeli domination of the foreign trade of the occupied Palestinian territories. The secretariat report had confirmed that the situation had indeed become more desperate owing to the policies of the occupation authorities. While the Group of 77 reiterated its profound appreciation to the Special Economic Unit for its commendable work, it considered it imperative that the Unit be strengthened so that it could perform its work as envisaged in the work programme of UNCTAD. The Group of 77 was confident that the Unit would help to shape the future course of action of UNCTAD and other United Nations organizations in their efforts to give appropriate and effective assistance to the Palestinian people. His Croup expected that UNCTAD would, in compliance with resolution 146 (VI), report regularly on this subject at future sessions of the Board as well as to the General Assembly and other relevant international forums.

222. The representative of Jordan said that the deteriorating economic situation of the occupied territories was attributable to the declared policy of Israel. He recalled that the Israeli Minister of Defense, who was in charge of the occupied Palestinian territories, had stated that there would be no development in those territories initiated by the Israeli Government and no permits would be given for expanding agriculture or industry there which might compete with the State of Israel. That statement reflected the philosophy of the Israeli authorities which governed economic development in the West Bank and Gaza Strip.

223. Independent sources had pointed out that the most severe brake on improving agriculture was that there was less land to improve and less water to improve it with. Arab farmers now farmed only 76 per cent of the area they used to farm before the occupation. Israel now controlled land use on up to 52 per cent of the West Bank. The 1.4 million Palestinians who lived in the West Bank and Gaza controlled only 48 per cent of land in West Bank and 85 per cent in the Gaza Strip. With respect to water, Arab farmers were constantly applying to Israeli military authorities for permission to drill irrigation wells. In only two instances had permits been granted. Thus, 5 per cent of Arab land on the West Bank was irrigated compared with 40 per cent of farm land in Israel. Israel was unwilling to allow any impediment to the progress of rainfall which falls on the Western slopes of the region and forms the natural reservoir in the West Bank from which Israel drew much of its water. One third of water consumed in Israel was estimated to come from the watershed of the West Bank. Since the establishment of Israeli settlements, 52,000 settlers had been allowed to drill 17 wells while 850,000 Arab farmers had been allowed to drill two. In addition, applications by farmers to establish co-operatives had to be reviewed by the military authorities for political as well as economic reasons.

224. With respect to industry, he said that the secretariat report detailed clearly the so-called industrial boom in the West Bank. It was in fact a function of demand inside Israel. "Industrial improvement" took only the form of subcontracting to the Israeli economy itself. The products were produced and re-exported by Israel. They had no direct link with or benefit to the economy as such, apart from the wages paid to the labourers. He considered that the structure of industry had not shown any significant change during the years of occupation. It was dominated by small enterprises, and a high proportion of them were in subsectors which executed orders for Israeli enterprises, particularly textiles, clothing, leather, wood and metal products. The industrial sector was handicapped by lack of capital for improvement in buildings and equipment, difficulties in importing new technology, export restrictions and competition from Israeli products. According to another independent source (The Economist), a typical entrepreneur had to cope with something like 1,200 military orders issued by the Israeli military authorities.

225. He felt that the secretariat report was a penetrating analysis of the recent economic situation in the occupied West Bank and Gaza. He believed that the work of the Unit was timely and necessary, and that the Unit should be strengthened in order to accomplish its task. He noted that the Unit was keen to tap all sources of information, and had sought to send a mission to the occupied territories in order to get an impartial picture of the situation there. Israel had rejected the request made by the Unit to this effect. He said that all independent studies agreed on one major conclusion: that Israel had deliberately created a dependent economy in the occupied territories, whose surplus was used to bolster the Israeli economy. It was against the background of Israeli attitudes and policies that the economy of the occupied territories could be understood and analysed. The report had rightly cautioned that conventional economic tools were inadequate for a greater understanding of the situation; there had to be an analysis of the conditions created over the 19 years of occupation policies and attitudes.

226. In spite of the obstacles and limitations, the report gave facts and figures that amplified the true economic situation and shed light on the dependency of the economy of those territories. He highlighted the continued decline in the contribution of GDP to GNP, from 75 per cent in 1981 to 70 per cent in 1984; the fact that the occupied territories served as suppliers of cheap labour to the Israeli economy (in particular, the labour-surplus economy of the occupied territories was used by the Israeli economy to produce certain goods that were needed by the Israeli economy but were expensive to produce in Israel); the fact that the occupied territories served as consumers of Israeli exports (as shown in paras. 11 and 23 of the report); the control by Israel of more than 52 per cent of land in the West Bank and 15 per cent in the Gaza Strip and the fact that one third of the water consumed in Israel was estimated to come from the watershed in the West Bank. All these indicators served to illustrate the disruption of the economy of the occupied territories as a result of Israeli measures. The effect could be seen in the population figures for, despite a high birth rate, the population of the territories had remained stagnant since 1967. This reflected increased emigration from the territories, due to the lack of job opportunities and Israeli policies. The rate of capital formulation had also been negative in recent years, reflecting the disinvestment rate of -6 per cent in 1983 and 1984. Investment opportunities had been severely limited owing to Israeli policy and the risky environment in the territories. The only type of investment of any significance had been improvement to existing private housing and, to a lesser extent, in new houses.

227. He said that, since the beginning of occupation, Jordan had spared no efforts to help the inhabitants of the occupied territories and to alleviate their hardships. The secretariat report touched briefly on some aspects of this assistance, such as the continued trade surplus the occupied West Bank and Gaza enjoyed in their trade with Jordan, which helped to alleviate their bad trade position. Moreover, the need for economic development of these territories through planning was receiving Jordan's undivided attention and efforts were geared towards this objective.

228. In conclusion, he expressed the hope that the Unit would try to show the effects of the "dual economy" created in the territories as a result of the settlement policies. He also hoped to see some figures on how much the occupation authorities took out of the local economy of the territories in various forms of taxes and how much they ploughed back in to the economy.

229. The representative of Egypt recalled the statement made by his delegation to the Economic and Social Council at its recent session regarding the economic conditions in the occupied Arab and Palestinian territories, which had singled out five factors affecting economic conditions in those territories. First, the continuation of the Israeli authorities' policy of integrating the West Bank and Gaza economies in the Israeli economy; secondly, the absence of a regulated process of development in the occupied territories; thirdly, the weakening of the economic infrastructure in the territories and the deterioration of the living conditions under occupation; fourthly, the dangerous effects of the Israeli practice of establishing settlements in these territories; fifthly, the unlawful changes in land ownership in the interest of Israel and Israeli settlements. The analysis in the secretariat report (TD/B/1102) confirmed these conditions in general, although it was clear that the conditions imposed in the occupied territories did not facilitate a clear understanding and analysis of the situation there. But equally clear was the

weakness, if not absence of development in the territories. He hoped that the Unit would continue its efforts and consolidate its contacts with the United Nations agencies and regional and national instututions and Palestinian centres, and that it would submit reports to the Board on these aspects.

230. The spokesman for Group D (USSR) said that Group D countries had considered attentively the secretariat report (TD/B/1102) as well as the other documents prepared pursuant to Conference resolution 146 (VI). They contained many useful and concrete statistics and information which gave an idea of the extent of the damage to the economy of the occupied territories inflicted by exploitation by Israel. The Israeli authorities had transformed the occupied Arab lands into part of their economy, pillaging them in many ways - through land confiscation, exploitation of Palestinian manpower, unequal trade, etc. He observed that the representative of Israel had manipulated abundant statistics on other countries in an attempt to prove - what could not be proved - that the situation in the occupied Arab territories, far from deteriorating, should be held up as an example for developing countries. He had even claimed that many countries could envy the situation in the occupied territories. However, the view of the international community had been made clear in many documents of international forums, in particular in Conference resolution 146 (VI) adopted at UNCTAD VI by 84 countries, which expressed concern at the worsening living conditions in the occupied Palestinian territories. The UNCTAD secretariat report also showed that the main cause of breakdown in the economy of the territories was the Israeli occupation. If the situation in the territories was really as good as the Israeli representative had stated, why did the Israeli authorities persistently not allow an UNCTAD mission to see the situation at first hand and take note of the so-called prosperity.

231. In fact, the economy of these territories was passing through its most serious crisis since 1967. In 1983-1984, growth in all sectors of the territories' economy had fallen, while there had been a constant outflow of resources to Israel in the form of taxes and other contributions. In 1984 alone, this figure had been $185 million, or 11 times more than total inflow of financial resources into the territories from Israel. Since 1981, per capita GDP had fallen in both the West Bank and Gaza Strip. Israeli policy was also causing great damage to the foreign trade of the territories, as the latter could not control either the quantity or the quality of Israeli exports to the territories. Meanwhile, many exports from the occupied territories could not enter Israel. The trade deficit in 1969-1984 had increased almost eight times.

232. Group D believed that the key to the economic development of the occupied Palestinian territories lay in a comprehensive political settlement in the Middle East based on a complete Israeli withdrawal from all occupied Arab territories and guaranteeing the legitimate rights of the Palestinian people, including the right to self-determination and an independent Palestinian State, the rights of all States in the region to independent existence and development. The only practical way to achieve this was through an international conference on the Middle East under the aegis of the United Nations, in which all interested parties would participate, including the Palestine Liberation Organization. The holding of such a conference was now being blocked by obstructionist Israeli policies.

233. In conclusion, he recalled that the position of the socialist countries had been clearly stated at the United Nations and other forums. Separate agreements and other similar formulas imposed upon the Arab States would neither solve the Middle East problem, nor establish a basis for a just and durable peace in this region. The socialist countries were ready to co-operate with other States towards ensuring lasting peace in the Middle East.

234. The representative of Bahrain, expressing support for the statement by the spokesman for the Group of 77, said the secretariat report shed light on the sufferings of the Palestinian people in the occupied Arab territories as a result of the Israeli occupation of their land. It had become clear that there could be no real development in the Palestinian territories while they remained under occupation. Despite the occupation authorities' refusal to allow the UNCTAD mission to visit the territories, much information had been collected through the Unit's contacts with United Nations agencies, most of which was valuable. The report showed that, in terms of GDP and GNP, there had been no improvement in the territories' economy, which remained handicapped by the absence of planning and development programmes for the Palestinian people. As the occupation authorities continued to attempt to integrate the territories' economies into that of Israel, trade conditions in the territories steadily worsened. The Israeli policy of establishing and increasing the number of Israeli settlements in the territories had a grave effect on the economy because of the reduction of the area under cultivation. Settlements had hampered the territories' economic development and increased the trade and balance-of-payments deficit, as was clearly shown in the report.

235. He expressed the hope that the Special Economic Unit would continue to implement its mandate and present annual reports in greater detail on the practices of the Israeli occupation authorities and those events in the territories related to living conditions and the economy. He hoped that the Unit would be able to highlight the practices of the Israeli authorities affecting the Palestinian economy, as well as Israeli short-term and long-term plans to increase the subservience of the territories through policies of settlement, control, and effective annexation of the territories in violation of United Nations resolutions. He considered that the refusal of the Israeli occupation authorities to allow an UNCTAD mission to visit the occupied territories confirmed the failure of Israel to abide by United Nations resolutions and international will and was an attempt by the Israeli authorities to cover up their arbitrary practices and the deteriorating economic conditions in the territories. This being so, the Unit should co-operate with regional and international organizations concerned with development projects, such as UNDP and ESCWA, while also continuing to prepare studies related to strategies and measures to develop the Palestinian economy and to improve conditions there, in accordance with the mandate given in Conference resolution 146 (VI). The sufferings of the Palestinian people called for a serious and courageous stand by the international community, which should support the Palestinian people under occupation to develop their economy and put an end to Israeli practices that harmed the territories' economies. At its seventh session, the Conference should review the work accomplished in relation to resolution 146 (VI) and other relevant resolutions, in the light of developments in the past few years.

236. The representative of Saudi Arabia expressed his satisfaction with the secretariat report (TD/B/1102), which clarified much of what was taking place at present in the territories. He hoped to see a continued expansion in these reports and further improvements so as to reflect the complete and true picture of economic conditions in the occupied territories.

237. He felt that the refusal of the occupation authorities to allow an UNCTAD mission to investigate at first-hand the real economic conditions in the territories was indicative of the contempt in which these authorities held the resolutions adopted by the international community. It also confirmed the continued repressive practices of the authorities in these territories, aimed at emptying them of their inhabitants without consideration for their rights or improvement of their economic conditions. It was obvious that occupation contradicted the basic requirements of economic and social development of the Palestinian people in the occupied territories. The secretariat report, as well as other reports prepared by various international organizations, showed that the conditions in the occupied territories continued to discourage the inhabitants from developing their own economic institutions in order to attain true self-development. This was shown in the report's analysis of the falling rate of growth of GDP, while financial flows to the occupation authorities had increased, in the form of taxes and other transfers amounting to $185 million in 1984. At the same time, the share of agriculture in GDP had fallen as a result of the constraints enforced by the occupation authorities, such as production quotas on the most productive crops, the absence of marketing facilities, the high cost of water, and the continuing reduction in cultivated area as a result of the occupation authorities' policies of expropriation and settlement in the territories. The occupation authorities enforced their control over water resources through various methods, including a ban on the digging of new wells, regulating the amount of water actually used, and imposing a fine on the use of water above established quotas. This had led to a fall in irrigated land area in the West Bank. Conditions in other areas of development, such as industry, labour and wages, were no better and gave cause for alarm. The international community should put an end to this continued deterioration in conditions.

238. The representative of Sudan expressed his appreciation for the considerable effort made by the Special Economic Unit in pursuance of its mandate. The findings of the secretariat report (TD/B/1102) were valuable and should be followed up. He recommended that the Unit co-ordinate its work with ESCWA.

239. He noted that, among the factors causing the deterioration of the economic conditions in the occupied territories, were: continued attempts to integrate them into the economy of the occupying States: the absence of a local national entity to examine development strategies, especially in light of the total absence of a development process in the territories; the dangerous practice of establishing Israeli settlements in the territories; and the illegal confiscation of land in the occupied territories. which must cease immediately.

240. In conclusion, he affirmed his support for the statement by the spokesman for the Group of 77 and by other delegations who had spoken in favour of the report on this item, and called for increased support for the work of the Unit so that it could provide data to all United Nations agencies dealing with assistance to the Palestinian people. He also urged the Unit to expedite the completion of the study on financial structures and activities in the occupied Palestinian territories.

241. The observer for the Palestine Liberation Organization noted with satisfaction that the Special Economic Unit, composed of three persons, had now been fully staffed. Although his delegation had expressed some reservations on the work of the Unit at the thirty-first session of the Board, he now wished to record his appreciation to the staff of the Unit for their efforts in implementing Conference resolution 146 (VI) and other resolutions related to the Palestinian people.

242. Reviewing the main activities of the Unit, he noted that the first of these was the preparation of a study on the financial sector of the occupied territories. This was a necessary study, especially since the Economic and Social Council had postponed its discussion of this subject from last July's session to 1987 so as to allow UNCTAD time to complete the study. He hoped that this study would be discussed in UNCTAD first, at the second part of the thirty-third session of the Board in the first quarter of 1987. He also commended the work of UNCTAD in establishing a data bank on the territories' economy, as the Israeli authorities published distorted statistics about the occupied Palestinian territories. The Israeli authorities did not allow international organizations, including UNCTAD, to visit the territories because they wished to cover up the falsification and distortions in their statistics. He hoped that UNCTAD would succeed in producing statistics based on direct or indirect field surveys, possibly in co-operation with Palestinian universities.

243. With reference to the third area of activity, related to Board resolution 239 (XXIII), which had not yet been fully implemented and which called for a survey of the territories' economy and an analysis of its potentials and development strategies, he said that, though this resolution had been adopted before the establishment of the Unit and the limited staff of the Unit would have to implement it on its own, UNCTAD had the qualifications to undertake this survey. He requested the Secretary-General of UNCTAD to take the steps necessary to implement this resolution fully.

244. As regards preparations for UNCTAD VII, he expressed the hope that a report would be presented to the Conference on progress in the implementation of resolution 146 (VI), thus ensuring continuity in its implementation.

245. He appreciated the efforts exerted in preparing the secretariat report (TD/B/1102), which had had to be based on statistics published mainly by the occupation authorities in view of the refusal of the Israeli authorities to receive an UNCTAD mission. He noted that the figures which indicated positive developments were Israeli statistics and bore no relation to reality. Most countries members of the Board had experienced foreign occupation and were aware of the way in which occupying authorities attempted to control local resources and to steer economic activities in their own interest. The Palestinian people had been deprived of over half of their land, 90 per cent of their water resources, and control of their economy. Israel, which

suffered from inflation, a large balance-of-payments deficit and external debt, and which was dependent on massive United States aid, was unable to help itself, much less to help others, even assuming that it wished to do so. The Israeli claim that foreign occupation had a noble purpose for the occupied people was no different from the claim of the racist authorities in South Africa that racial discrimination was necessary and useful for the people discriminated against. The economic policy practised in the occupied Palestinian territories was aimed at destroying the Palestinian national economy, increasing its dependence on the Israeli economy and encouraging emigration, in preparation for annexation and Judaisation of the territories. Israel had thus exported its own economic problems to the territories and had found in them a market for its goods and a source of cheap labour. While Israel flooded the Palestinian market with its subsidized goods, making it impossible for Palestinian goods to compete, it had also prevented the entry of Palestinian products into occupied Palestine, especially those which competed with Israeli goods. The Israeli authorities had also imposed high import, income and value-added taxes on the territories, the revenues of which were used not for the benefit of the Palestinian people but to finance the occupation and to aid the Israeli economy.

246. He added that Palestinian productive sectors suffered from lack of finance, especially since the closure of banks by the authorities in 1967. This had resulted in the bankruptcy of numerous Palestinian enterprises and the gearing of the production of those remaining to Israeli requirements. The refusal of the Israeli authorities to allow experts from internatonal organizations such as UNCTAD, UNIDO, HABITAT and UNEP to visit the territories was a failed attempt to cover up the deterioration of economic conditions in those territories as a result of the occupation. The Israeli authorities had destroyed 20,000 Palestinian homes, using the land for Israeli housing, especially in Gaza and Jerusalem, had prevented the building of houses in refugee camps, had destroyed some 3,000 houses in camps in Gaza, and had prevented Palestinian housing co-operatives from receiving external aid. The authorities had also refused permission for the building of a cement factory in the West Bank, despite the fact that studies had proved the project's feasibility. Meanwhile, the construction of Israeli settlements in the territories continued at the annual rate of 5,000 to 6,000 units. These were only examples of the practices of the Israeli authorities which aimed at hampering the development of the Palestinian economy.

247. He considered that the representative of Israel had, in his statement, ignored and distorted the truth, quoting from only some international reports, whereas honesty dictated that he should have referred to all international reports on the subject, which all affirmed the degree of misery suffered by the Palestinian people under occupation. In defending his country's occupation of the territories, the representative of Israel forgot that the United Nations had been established primarily to put an end to occupation and colonialism, to spread justice, equality and freedom, and to provide the colonized peoples with a chance for sovereignty, freedom and development. However, the representative of Israel could not recognize this truth, since this would implicitly condemn all that he represented. Hence the attempts to deceive and distort.

248. In conclusion, he stated that the Palestinian people were determined to regain their national rights, as recognized by the United Nations, and to build their national economy. It was thus necessary to support this people in their effort to free themselves from Israeli occupation so that they might exercise their rights like any other people, at the forefront of which were the right to return to their homeland, the right to self-determination and the right to establish an independent Palestinian State on their national land. This was the only way to a just and comprehensive peace in the Middle East.

249. The representative of the United States of America said that he felt some sympathy - but not very much - for those in the secretariat charged with preparing the report (TD/B/1102), who were, after all, only carrying out orders. He was appalled by the bad atmosphere which had prevailed in the Board during the discussion of this item and by the fact that some delegations had found themselves unable to refer to a State Member of the United Nations by its rightful name. It was quite clear that this kind of exercise fouled the air of the United Nations itself, resulting in the increasingly negative attitude towards the United Nations found today in so many countries. The secretariat report was once again a collection of distortions, half-truths, and untruths, designed to look like serious research, but which was intended to do just one thing: heap upon a member country of the United Nations the most extreme criticism. It was an example of the United Nations once again gone astray, albeit on the instructions of its Member States. It was the kind of activity that above all discredited the United Nations as a serious organization trying to bring about a better, more peaceful world. There was nothing good to be said about the report, or the entire exercise. Those who praised the report and who were pleased by these attacks on Israel should understand what they were doing to the United Nations itself. Unless they were unconcerned about what happened to the United Nations, they should ask themselves whether this was really the direction in which they wanted to continue to steer the United Nations.

250. He observed that the representative of Israel had detailed the many flaws in TD/B/1102. Many of the points raised were points he had also intended to bring out, and he would therefore not repeat them. But he could not help speculating about the way the report had been compiled and why it read as it did. Despite the abundance of data, low unemployment rates, strong GNP figures, and an effort by Israel to raise $600 million for development projects on the West Bank and in Gaza, the report was critical of each fact. No matter what the data showed, UNCTAD had put a negative sign on them. This had been done in 1985, for example, in finding a negative conclusion to be drawn from data showing vast improvements in higher education. No doubt it would be done again next year. Such dishonesty sullied the good name that the new leadership of UNCTAD so desperately needed to establish for this organization; and by association it further detracted from the good name of the United Nations and of some of its specialized agencies which were trying to carry out serious, productive work, unencumbered by political considerations.

251. He considered that there was no rightful place in the work of UNCTAD for politicized exercises of this kind, but if member countries were determined to steer UNCTAD on to this course perhaps it could be done with a more balanced coverage. With a little imagination one could think of other examples of occupied territories, and UNCTAD could be asked to undertake studies of the effects which such occupation had on the economies of those territories. The

military occupation of Afghanistan by its neighbour to the north might be having a mild effect on the economy of that poor, once non-aligned nation. Perhaps the UNCTAD secretariat could go there and find out. What effect was the presence of Viet Nam in Cambodia having on the latter's economy? Tourism at least must have suffered. Could one expect the occupying authorities there to greet UNCTAD researchers with open arms and a key to the Department of Statistics? What about the effects of the Libyan occupation on the economy of Northern Chad? What economic liabilities or benefits did Lebanon reap from the presence of the Syrian Arab Republic? What was the economic effect of Iraq's presence in the Islamic Republic of Iran - or was it the other way round? Could one not use the talent of the secretariat to examine the effects on the economies of Eastern Europe, Cuba, Nicaragua, Ethiopia, Angola or Mozambique of the imposition of Soviet economic policies and methods? Such countries were essentially "occupied" in economic terms.

252. In short, there were almost endless opportunities for this kind of work by UNCTAD. The obvious question, then, was why only the present study? Why focus only on Israel, the West Bank and the Gaza Strip? It was a pity to see scarce resources squandered on this sort of nonsense; a pity to see the United Nations engaged in the business of lies and distortions; a pity to see how members of the Board continued to misuse this platform in a manner that would do nothing to enhance the economic well-being of those it was meant to help. This sort of exercise, which in the United Nations system was by no means confined to UNCTAD, was what had given rise to demands for reform of the United Nations system and had led to the recent proposals by the Group of 18. Those who had been underwriting the cost of such nonsense had had enough. The resources had been drying up, and they would continue to do so unless the membership could demonstrate that it was prepared to call a halt. If the Board were faced with yet another resolution to continue the secretariat's work on this project, it should consider carefully the implications of once again blindly giving approval.

253. The representative of Viet Nam expressed his delegation's protest at the reference made by the representative of the United States of America to the "Vietnamese occupation of Kampuchea", a matter which was totally unrelated to the item under consideration. It was common knowledge that Vietnamese troops were in Kampuchea at the request of the People's Republic of Kampuchea, which was the only authentic and legitimate representative of the Kampuchean people.

254. The representative of the USSR, exercising his right of reply, said that the statement by the representative of the United States of America had been insulting to members of the Board, to UNCTAD and to the United Nations system as a whole. It was in the spirit of imperialist ambitions of the United States, which assumed the right to interfere in the affairs of other States through economic pressure, political threats and direct military intervention. This had been shown in the United States' occupation of Grenada, the military attack against the Libyan Arab Republic, the economic aggression against Cuba, Nicaragua, Viet Nam and other sovereign States, as well as by United States' support for the racist regime of South Africa and for expansionist Israeli policies in the occupied Arab territories. The representative of the United States had complained about so-called politicization of the work of UNCTAD, but he had himself given the worst example of politicization when in the Board he had attacked sovereign States, raising matters which had nothing to do with the agenda item under discussion. Finally, he said that he could not accept the United States representative's call for an end to activity under this agenda item.

255. The representative of Ethiopia, exercising his right of reply, stated that he was stunned by the arrogant and aggressive statement by the representative of the United States, who had classified a dozen countries, including Ethiopia, as "occupied territories", something which he rejected outright. The United States representative had tried to divert attention from the agenda item under discussion in order to cover up his Government's crimes against the people of Palestine and other Arab peoples. He believed that the representative of the United States owed the Board and the countries he had maligned an apology. Ethiopia appreciated the generosity shown to it by the people of the United States during the past two years. He wondered how the United States people would feel if he were to use the same analogy as that used by the representative of the United States and to suggest that the United States was economically occupied by Israel.

256. The representative of Cuba rejected the reference to economically occupied territories made by the representative of the United States, in view of the fact that Cuba had carried out its revolution by itself and was continuing to struggle with its own forces, repelling the constant attacks and aggression of the United States. This fact was what had motivated the comment by the United States delegation.

257. The representative of the Syrian Arab Republic, exercising her right of reply, noted that the representative of the United States had referred to the "Syrian occupation of Lebanon". Everybody knew, however, that Syrian forces had entered Lebanon in response to a request by the Lebanese Government and that they had made great sacrifices in trying to end bloodshed in Lebanon and to achieve peace there. In trying to give lessons in international relations to other countries the representative of the United States seemed to have suffered a loss of memory with regard to the position of his own Government. She wished to remind him of different examples of this, such as: the United States Government's violation of the ruling of the International Court of Justice with regard to the United States position on Nicaragua; the recent statement of President Reagan about United States intentions to overthrow the Nicaraguan Government; the strategic military alliance between the United States and Israel and provision to Israel of offensive weapons which were used by Israel against civilians in Lebanon; the sending of United States Marines to different countries to install new Governments by force; the $100 million of support to mercenaries trained and led by the United States Central Intelligence Agency to overthrow the legitimate Government of Nicaragua; the United States aggression and threats against the Libyan Arab Republic and its Government.

258. The representative of Democratic Kampuchea, exercising her right of reply, stated that the representative of Viet Nam had unscrupulously affirmed that Vietnamese troops had entered Democratic Kampuchea at the request of its people and that the so-called "People's Republic of Kampuchea" was the sole legitimate and legal Government of Kampuchea. She stated that the so-called Government in Phnom Penh was a quisling régime which survived only thanks to the support of the Vietnamese occupation forces. She recalled the recent General Assembly resolution on this matter, which called for the retreat of Vietnamese troops from Democratic Kampuchea, and the overwhelming international condemnation of the representatives of aggression.

259. The observer for the Palestine Liberation Organization, exercising her right of reply, recalled that the United States representative had objected to Israel's being referred to as the "Zionist entity", which he claimed fouled the atmosphere of United Nations. She was not surprised by the United States' defence of Israel in view of the alliance between the two countries. She was, however, surprised that the United States representative appeared to be unaware of the attempts of his own Government to destroy the United Nations by violating its resolutions and its constructive attempts to solve the Middle East conflict, and by using its power of veto in the Security Council against any proposed resolution on the rights of the Palestinian people. The United States representative's concern for the United Nations was rendered meaningless by his attack on UNCTAD, in which he had accused UNCTAD of dealing in nonsense and foolishness. Where was his concern for the United Nations when the United States threatened to withdraw its participation from the United Nations programmes and agencies which supported Palestinian rights and acted in accordance with General Assembly resolutions?

260. The representative of Israel, exercising his right of reply, said that the Board had witnessed an example of Marxist dialectics when the representative of the USSR had said that 84 countries had voted at UNCTAD VI to the effect that the conditions in the territories had deteriorated and that this was proof of the fact; yet, half a minute later, he had called for a mission of inquiry. That was apparently the method used in the USSR: first it was decided what had happened, and then a mission was sent to have this confirmed. A somewhat similar method had been used by the representative of the Syrian Arab Republic, whereby certain events were likened to invitations to a party: somebody had been invited into Afghanistan, others into Democratic Kampuchea, the Syrian Arab Republic into Lebanon. However, the Syrian Arab Republic had to this very day refused to recognize the independence of Lebanon. Those who thought that, by calling Israel other than by its official name, they could change the course of history were mistaken. Although it was proof of the climate of hatred surrounding Israel and of the belligerent intentions of some of its neighbours, their efforts would not succeed. Only through direct negotiations would it be possible to achieve peace and to ensure a better future for the people in the territories. In the meantime Israel would continue to strive for improved economic conditions.

261. In his concluding remarks the representative of the UNCTAD secretariat stated that the secretariat had listened with great interest to the observations on document TD/B/1102. In particular, it appreciated the close attention the Board had given to the work of the secretariat pursuant to Conference resolution 146 (VI). In the course of the discussions, the secretariat had noted the comments made by several delegations with respect to: (i) the need for the formulation of a development strategy and related policy measures for the territories within the context of Board resolution 239 (XXIII); (ii) increasing the involvement of the UNCTAD secretariat in the United Nations programme of assistance to the Palestinian people and enhancing co-operation with other United Nations agencies as well as regional and national institutions; (iii) formulating the modalities for further regular reporting to the Board; and, (iv) expanding the work of the Unit by attending to a number of other substantive issues of direct relevance to its mandate. The secretariat welcomed these points and would seriously examine them within the limits of its resources and the frame of its work programme.

262. He added that the secretariat was always willing to discuss the issues of relevance and the work of the Unit with interested member States. The facts and findings presented in TD/B/1102 were based on information and statistics available to the secretariat which, to the best of his knowledge, faithfully reflected the realities of the situation during the particular period under review in the report. The secretariat remained ready to give positive consideration to any constructive criticism and would be glad to receive and utilize, as appropriate, any additional information that might be placed at its disposal, with a view to further improving the work of the Unit and enabling it to fulfil its mandate to the overall satisfaction of the parties concerned. The secretariat was aware that the creation of the Unit, in pursuance of Conference resolution 146 (VI), might not have been to the satisfaction of some member States. Nevertheless, it believed that a distinction should be made between the decision of the Conference to establish the Unit and the manner in which it had carried out its work programme.

Action by Sessional Committee I

263. At its 6th meeting, on 8 September 1986, the Sessional Committee took note of the review entitled "Recent economic developments in the occupied Palestinian territories" (TD/B/1102 and Corr.1).

Consideration in plenary

Action by the Board

264. At the 700th meeting, on 10 September 1986, the Board took note of the report by the UNCTAD secretariat entitled "Recent economic developments in the occupied Palestinian territories" (TD/B/1102 and Corr.1 (English only)) and of complementary documentation, namely: selected statistical tables on the economy of the occupied Palestinian territories (West Bank and Gaza Strip) (UNCTAD/ST/SEU/1) and a select chronology of economic issues and related activities in the occupied Palestinian territories (West Bank and Gaza Strip) 1985-1986 (UNCTAD/ST/SEU/2).

Chapter II

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(Agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

(Agenda item 4)

265. The Director of the Money, Finance and Development Division, introducing items 3 and 4 of the agenda, observed that during 1985 commodity prices had weakened, the export volume of developing countries had been stagnant, and the pace of net bank lending to developing countries had remained slow. The saving resulting from the fall in interest rates did not make up for the loss incurred from the deterioration in terms of trade, the deceleration in export volume growth and the drop in earnings on official reserves. In 1986, interest rates would again be lower and the import bill of many developing countries would decrease but, taken as a whole, developing countries might lose as much as $50 billion in net export revenues in 1986.

266. The costs to developing countries since the end of 1984 from the deterioration in the external environment were considerably larger than the flow of official development assistance. Growth performance had been poor in most developing countries, and there was little prospect for significant improvement in 1986 and 1987. The deflationary forces unleashed at the beginning of the current decade now constituted the single most important threat to the world economy and to the process of development.

267. The strategy of strict control over the money supply and the gearing of fiscal policy toward releasing resources to the private sector had had a strong deflationary impact in the OECD countries in the early years of the decade. The recovery that had begun in late 1982 had owed much to the shift in fiscal stance in the United States, where real interest rates had risen, triggering an appreciation of the dollar. In Western Europe and Japan, fiscal policy had become contractionary, and monetary policy had remained tight. The resulting massive deterioration of the trade balance had created a major imbalance that could not be sustained.

268. These deflationary impulses had flowed throughout the world economy in different ways. For agricultural output deflation had taken either the form of a downward movement of prices and consequent reductions in the real incomes of producers or the form of higher financial costs of maintaining price support systems. In the manufacturing sector deflation had manifested itself primarily in lower levels of activity, employment and profits and sharp increases in the number of trade restricting measures. Recovery after 1982 had brought no general roll-back of this protectionism. In the United States import-competing industries had been subjected to intensive competition from other industrialized countries and developing debtor countries. While in Western Europe recovery had remained too weak to induce a roll-back. These developments had led directly to the shift toward greater policy co-ordination. Debt-servicing problems had inflicted significant damage on

the quality of bank portfolios and had prompted banks to reduce the flow of credit. Despite some adjustments and improvements in capital ratios, banks remained vulnerable as the debt-servicing difficulties of debtor countries persisted.

269. The new policy approach had triggered the steepest and longest recession in OECD countries in the post-war period, and the subsequent recovery had not reduced the gap between actual and potential levels of output and employment. In developing countries growth had disappeared in 1982/1983 and the recovery that had begun in 1984 had remained weak, with social and economic consequences that would be evident for many years to come. World deflation contributed to reducing the effectiveness of domestic policy in developing countries. In order to compensate for the impact of external shocks and to avoid a decline in investment, the savings rates of developing countries would have had to rise by more than one-half, but these same events had reduced their savings capacity. In several countries capital flight had been triggered by this set of circumstances and the capacity of domestic financial institutions to mobilize savings had been damaged.

270. He concluded that the scope for successful domestic policy action was tightly constrained by the interactions between the external environment and domestic measures. Changes in domestic policies and an improvement in the external environment must go hand in hand. The debt overhang continued to constrain growth in developing countries. Increased divergence in the situations of debtor countries now required a wider range of instruments and techniques to address debt-servicing problems. National procedures in developed market-economy countries for dealing with domestic debt problems might be a useful source of innovative ideas for tackling international debt problems. Arrangements reached recently with one major debtor indicated that creditors might indeed be prepared to consider more flexible approaches to the problem.

271. He emphasized that the new direction given to macro-economic policy some years ago had accomplished its prime objective. Inflationary dangers might require further attention in some countries, but inflation was no longer a significant danger to economic performance throughout the OECD area. Continuation of the past policy stance involved a continuation of all the costs of deflation while the benefits of that stance had largely disappeared. There was now a unique opportunity for Governments to make a decisive turn toward more vigorous expansion of their economies. The emerging process of policy co-ordination provided a framework within which such a task could be undertaken, but such co-ordination should be broadened as regards both the issues addressed and the participants. In the absence of such an approach solutions to current problems and the restoration of development would be beyond the reach of Governments.

272. The spokesman for Group B (Australia) said that his Group was pleased with the analytical quality of the Trade and Development Report, 1986, which in large parts had maintained the standards set the previous year. However, his Group would have preferred to have seen a better balance between internal and external factors and it did not agree with some of the policy conclusions.

273. Referring to what the Secretary-General of UNCTAD, at the end of the Overview in the Report, had called "collectively agreed policies that would revive growth and create an environment in which developing countries could

adjust through development", he observed that increased growth would, indeed, benefit all partners in the world economy. The expansion of economic activity in OECD countries was approaching its fifth year. It was true that the growth in some of the major countries of Group B had probably been lower in the first half of the current year than expected but, as the positive effects of recent developments became clearer, OECD economies could grow in the coming year at a rate higher than the 2.8 per cent achieved in 1985.

274. Economic projections for the OECD countries suggested some direct benefit for the export opportunities of developing countries. OECD countries' demand was expected to exceed the rate of growth in the OECD GNP by something like half a percentage point. This difference should lead to increased exports to the OECD area. Therefore, the export environment for developing countries in the coming period was likely to be broadly positive.

275. The OECD countries had adopted a medium-term strategy several years before in response to acute problems arising largely from the sudden price jumps in oil in the 1970s. This strategy consisted of two stages: stage I - to contain and reduce inflation and budget deficits; stage II - to restore profit shares and rates of return on capital as the preconditions for a recovery in business confidence and a restoration of investment and non-inflationary growth. Some aspects of this second stage had not been adequately dealt with in the Trade and Development Report, 1986. In many of the economies of his Group, the broad objectives of stage I had been achieved, as the Report had pointed out. Moreover, there were indications that the objectives of stage II were also being fulfilled, including improved corporate balance-sheet positions, booming equity markets and a sharp recovery in financial valuation ratios. Reflecting these improvements and other factors, demand in many OECD economies remained strong.

276. For those economies which had entered stage II, a neutral stance in macro-economic policies would contribute to sustainable growth; structural policies would need to be pursued vigorously. Monetary growth of major OECD countries had in fact exceeded the upper bounds of target ranges significantly in recent months, whereas the overall fiscal stance was somewhat restrictive. Taken together, the overall stance of the macro-economic policies was roughly neutral. Group B believed that this medium-term strategy continued to be the right approach and the scope for a resort to reflationary policies, which were addressed to cyclical downturns, was limited. Within certain limits, however, a certain degree of flexibility was necessary, depending on the situation. Thus a continued, but flexible, application of the medium-term strategy would be the key to maximizing sustainable growth for the OECD economies. This was the best way in which Group B could contribute to the development of developing countries.

277. The quality and the usefulness of the Trade and Development Report, 1986 would have been enhanced if it had taken the following factors into consideration: one, while the international environment was indeed important for the development of developing countries, proper economic policies of individual developing countries played the critical role in their development. While the Report duly recognized this, it failed sometimes to draw the logical conclusions; examples of individual policy analysis remained short and scarce, even though sometimes very suggestive, for instance the study of inflation-fighting policies in Latin America and in China. The same remark

could be made about the details of each country's case. This, as well as the importance of national policies, was exemplified by the difference between a few developing countries whose real growth was expected to reach 10 per cent or more in 1986 and some others whose growth prospects were virtually zero in 1986, both in the same international environment. The outcome of the special session of the General Assembly on Africa was particularly encouraging in this respect. The analysis in the Report would have been more useful in fostering development if it had examined the opportunities for increased growth for individual developing countries in a given international environment rather than focusing only on the constraints imposed by the international environment.

278. The second point which could usefully have been picked up was that efforts to create an international environment conducive to growth and development were a common objective of the members of the international community. Group B was fully conscious that major countries could contribute significantly to these efforts. It remained a fact, however, that some developing countries had come to the point where their responsibilities in building up a proper international environment could be expected to be greater than others. Third, the analysis of the performance of East European economies remained far from satisfactory.

279. The spokesman for Group B stated that the main features in the world economy since the last meeting of the Board appeared to be as follows: first, the importance of policy co-ordination among major economies was increasingly recognized; second, drastic changes in the exchange rates of key currencies had set the ground for reducing payments imbalances among the major OECD countries; third, oil prices still remained well below the levels of 1985 despite the rebound following the OPEC agreement of 5 August; fourth, interest rates continued to decline because of the fall in both inflation and inflation expectations; fifth, commodity prices continued to be low, except for coffee; sixth, while the debt problem remained a serious concern, some progress had been made by all parties concerned in the formulation and implementation of development oriented adjustment programmes; seventh, there had been an agreement on the new MFA and progress in the preparations for the new GATT Round; and eighth, certain progress had been made in formulating and implementing improved policies in an increasing number of developing countries.

280. Two major economic problems among Group B countries had had wide implications for the world economy, namely the current account imbalances and the high levels of unemployment. Regarding current account imbalances, while the impact of exchange rate changes was taking longer than expected, the recent trade volume figures indicated that improvement in this respect had already started.

281. The problem of unemployment was proving to be a more difficult one to resolve. Overall employment in Group B countries had increased about 1 per cent in 1985 and was likely to expand slightly in 1986. However, unemployment in Group B countries might stabilize at 31 million in the second half of 1986 - an average of 8 1/4 per cent - and show no significant change in 1987. Unemployment might remain stable or decline slightly in North America and New Zealand, while it might increase a little in Japan and Australia. While the prospects for Western Europe were diverse, the overall West European unemployment figure would remain broadly stable - 19 million persons or 11 per cent in 1986 and 1987. The characteristics of this high unemployment level would continue to be twofold; concentration of

unemployment on the young and on those who had been out of work for a long time. This question of unemployment reflected mainly structural problems of individual economies, and the solution for these could not be found in cyclical measures of reflationary policies.

282. With regard to trade, the fall in oil prices, low prices of commodities and some policy adjustment in developing countries had reduced the exports of Group B countries to non-OECD countries recently. Therefore, while merchandise exports of OECD economies to non-OECD economies were equivalent to nearly 4 per cent of the OECD area GNP in 1985, this rate had been declining recently. The OECD Secretariat estimated that OECD exports to non-OECD countries might have been falling at an annual rate of 10 to 20 per cent in real terms in the first half of the current year. Such a rate of decline would reduce OECD GNP growth by 1/2 to one percentage point at an annual rate.

283. The exports of developing countries had been affected over the past two years by various factors. In 1984, at the time of rapid expansion of world trade, the developing countries had increased their export volumes by 10.7 per cent and had benefited from a slight improvement in their terms of trade. However, in 1985, the growth in exports of these countries had slowed to around 2.5 per cent in volume terms due to more modest growth in industrial countries and in world trade. The overall terms of trade for developing countries had fallen by over one per cent. However, global figures concealed differences in individual performances. The export performance of developing countries during 1985 must be viewed in terms of the contrast between the poor showing of oil and commodity producers, whose change in export volume had been negative, and the rebound in trade of the East Asian manufacture-exporting developing countries, which by contrast had exports that had grown in volume nearly twice as fast as those of the developing countries taken together.

284. The dangers threatening the international trading system were far from over. The continued existence of restrictive measures in various sectors of economic activity imposed costs on all trading partners and impeded the development of more efficient trade flows along the evolving lines of comparative advantage. A comprehensive and ambitious new round of multilateral trade negotiations would serve to strengthen the multilateral trading structures and disciplines for the benefit of all participants. This should create more favourable conditions for world economic growth. The GATT Ministerial Meeting in Punta del Este should make an important contribution to that objective.

285. The low levels of commodity prices were having strongly negative impacts on commodity-exporting countries and on the development of developing countries. The dollar price index of non-oil commodities exported by developing countries had declined further by about 6 per cent between the first and the third quarters of 1985 to its lowest level since 1976. The price levels of these commodities were related to the evolution of supply and demand in its broadest sense. While there were differences among individual commodities, supply had been overrunning consumption already in 1978 and had continued to expand from 1979 to 1985. The gap between supply and demand had widened in the recessionary period of 1979-1982, narrowing a little in the 1982-1984 recovery. At the risk of oversimplification, one might say that in food and beverages, oversupply had reflected largely an above-trend rise in production, whereas in raw materials and metals it had corresponded to a

below-trend expansion in consumption. Clearly, due account must be taken, in each particular case, of the extent to which the underlying problems were cyclical or structural.

286. Financial flows to developing countries were beginning to consolidate. The decline since 1980/81 in private flows and export credits appeared to have run its course. OECD forecasts were for an increase in those categories of finance in 1986 and 1987, although the increase was expected to be modest. Official development finance, including concessional and non-concessional flows from both bilateral and multilateral official sources, had been providing a steady increase in funds since the early 1970s and would continue to do so.

287. The percentage of Group B's bilateral aid had expanded from 14 per cent of total flows in 1980 to 28 per cent in 1985, and in terms of multilateral non-concessional aid it had risen from 4 per cent to 11 per cent during the same period.

288. One recent characteristic of the debt question had been the marked deceleration in the underlying build-up of external debt of most developing countries, in particular in real terms. In 1985, while the nominal debt of developing countries had increased by $88 billion, only $33 billion of that amount was due to increased net borrowing and about $55 billion represented the "exchange rate effect". There was a consensus that it was essential that the debt problems of developing countries should be dealt with within a broad objective of growth and development of these countries and that increases in financial flows to these countries were important for this purpose. However, at the same time, there was increasing recognition that the injection of major new financing flows without policies which could confidently be expected to produce increase debt-servicing capacity, could only be a recipe for bigger debt problems in the future. Thus, a policy-based, growth-oriented debt strategy had emerged and the Baker Proposal of October 1985 had given political impetus to it. Implementation of this proposal had begun, and a number of countries had made significant progress.

289. Another emerging trend of the debt question was a significant increase in "effective" payments of debt service (as compared with debt service due) of sub-Saharan countries in the recent period. For 1985 it had increased some 44 per cent above the level of 1983. An important component of this increase had been debt service to multilateral institutions. While the exact figures were difficult to arrive at, the OECD secretariat estimated that the effective debt service of sub-Saharan countries for 1983 and 1985 had been $6.8 billion and $10.7 billion respectively. Debt service due would be in the order of $11-12 billion for each of the current year and the following year. The problems arising from the high debt burden of these countries had been recognized by the consensus resolution adopted at the special session of the General Assembly on Africa in May 1986, a resolution which placed emphasis on both the adoption of appropriate policy measures by individual African countries and the provision of external resources. The case-by-case approach to the debt question remained valid. Furthermore, in the application of this approach, the recognition of the importance of proper policies of the indebted countries was increasing.

290. The representative of Poland said that, while fully realizing that multilateralism was in jeopardy, he was convinced that UNCTAD's universality, the sheer scope of its concerns and its commitment to development created the necessary foundations for establishing more just and equitable relations among all countries, thus augmenting confidence and security in international economic relations.

291. Referring to the Trade and Development Report, 1986, he said that its major thesis that the process of deflation was rendering recovery weak and uneven and was prolonging the crisis of debt and development seemed to be well grounded. While the defeat of inflation was a major achievement, demand weakness and financial tightness were the main sources of global instability. He fully subscribed to the Report's conclusion on the need to engage in policy co-ordination aimed at the revitalization of growth and development and considered this central theme to be most suitable for UNCTAD VII. He noted that parts of the Report could have been improved. In particular, in the analysis of the world economy too much emphasis was given to monetary factors while structural factors were barely mentioned. In addition, one of the most important problems of the external environment, protectionism, was not explored in detail. Among the main reasons for the currently unsatisfactory trade growth was the slowdown of the economic recovery in developed market economies combined with severe protectionist measures, many of which were applied to the exports of socialist countries in a more discriminatory manner than to those of the developing countries. These discriminatory measures were often applied to socialist countries on political grounds to make financial and credit relations more difficult and to narrow access to high-technology goods and modern technologies. The protectionist measures also hampered the expansion of the developing countries' exports to developed market economies and diminished their export earnings.

292. Commenting on the process of modernization, structural transformation and far-reaching reforms being pursued by socialist countries, he noted that these were taking place not only in individual countries but also within the CMEA in the form of policy co-ordination, thus contributing to the strengthening of the economic integration of its members. He cited figures on recent trends in Polish foreign trade - a growth of 1.7 per cent in export volume and 6.8 per cent in import volume in 1985 - which indicated the strengthening of the open character of the Polish economy, as well as its positive contribution to the development of the world economy. These figures also provided good forecasts for long-term development.

293. On the debt crisis, from which many debtor countries, including Poland, suffered due to lack of substantial credits, he stated that the solution to the debt problem of the global scale necessitated many deep changes. These should include at least three elements: (a) a reduction in the interest rate and other costs of debt servicing; (b) easier access of the debtors' exports to the creditors' markets; and (c) the provision of new development credits on better, if not concessionary, terms. These changes should be combined with the intensified efforts of debtors to achieve better economic performance. As far as Poland was concerned, it had negotiated and reached agreement on a debt rescheduling scheme and had recently joined the International Monetary Fund and the World Bank. He hoped that these agreements and institutions would contribute to a further normalization and better co-operation with its creditors. Poland was making determined efforts to improve its economic performance while adjusting to the changing conditions of the international

division of labour. The far-reaching reforms which had started in 1981-1982, based on the freedom of the enterprise decision-making process and decentralization of economic management, had already shown positive results but, in the long run, the successful repayment of debt also required increased co-operation of creditors with debtor-countries in the fields of both finance and trade.

294. In concluding, he stated that UNCTAD VII should make evident the common resolve of the international community to reinforce the international organization and use it effectively to further "voluntary multilateralism" and to adopt policies in ways which would ensure a better harmonization of domestic and international issues.

295. The representative of Saudia Arabia stated that, while signs of recovery in a number of developed countries were increasing, the world was still facing a deterioration in trade, especially that of developing countries, and high employment, even in industrialized countries. As for major currencies, both their exchange rates and cost of borrowing were characterized by large and sharp fluctuations, the prices of commodities, including oil, had deteriorated and many countries were still facing serious imbalances in their trade and payment balances. Furthermore, protectionist tendencies in industralized countries were increasing. This was due to the fact that the recovery had taken place in consumption and not in production and investment sectors. This imbalance had taken place at the expense of developing countries. The recovery, moreover, had not been accompanied by specific actions to restore international confidence in the international economic order.

296. The structural imbalances in the world economy had aggravated the problem of developing countries in the fields of money, finance and resource flows to the extent that those countries had become net exporters of capital.

297. Studies of the world economy in 1986 had confirmed that developed countries had made substantial gains, equivalent to $114 million, as a result of the decline in prices of primary commodities, of which $60 million was due to the decline in the price of oil. In addition, developing countries had paid $54 billion as debt service and $13 billion as dividends on foreign investment. In the meantime financial flows (loans, credit facilities, ODA and direct investment) from developed to developing countries had declined to $36 billion.

298. Saudi Arabia therefore called upon Governments and the specialized agencies to take the necessary steps to stop this net transfer of resources from developing to developed countries. Oil prices had sharply declined in 1985 and continued to deteriorate in early 1986, and prospects for the world energy industry were still uncertain. This was due to the decline in world demand for oil and the increase in production by non-OPEC countries, in addition to the persistent pressures by developed countries to lower oil prices. The energy industry and in particular the economies of oil-exporting countries were affected.

299. The common interest of both exporting and consuming countries necessitated the stabilization of the petroleum market and the price of oil, which in turn would help achieve recovery in the production and investment sectors. Thus the persistence of the present state of the oil market and the attitudes taken in certain quarters to obstruct the efforts of OPEC members to

achieve a balance between supply and demand did not serve the real interests of the world community. These efforts would endanger the petroleum industry since they would obstruct investment decisions which might help meet energy needs in the near future but would erode the profitability of a substantial number of energy resources.

300. In view of its comparative advantage, Saudi Arabia had established a petrochemical industry to diversify its economy and enhance trade for the benefit of all partners concerned. He expressed regret that this industry was confronted by various protectionist measures from the very countries which had always talked about free trade, i.e. industrialized countries. He called upon those countries to abolish their protectionist measures and to try to solve outstanding problems through the established international agreements.

301. Once financial resources had become available to Saudi Arabia, it had started supporting development efforts in developing countries, and this had become a solid and traditional policy. Saudi Arabia ranked first among developing countries in the provision of ODA. It was also the world's leading donor in some years as far as the absolute amount of assistance was concerned; ODA from Saudi Arabia had amounted to $46 million in the period 1973-1984; the share of grants was 47 per cent, and the rest was in the form of untied concessional loans. The bulk of this assistance went to least developed countries.

302. In 1981, Saudi Arabia had allocated $100 million for the Sahel countries to implement food and water projects. A further $30 million had been allocated for the expansion of this project. Saudi Arabia had also given cash and assistance in kind to combat drought in Africa amounting to $240 million. The aid for refugees in Africa amounted to $80 million, including $35 million for the first and second conferences to assist refugees in Africa. Saudi Arabia had also given humanitarian aid to drought victims, and this, within two months, had amounted to $62 million, 48 per cent of which was in the form of cash. In the field of food aid, Saudi Arabia had provided $55 million to be disbursed in 1985 and 1986, in addition to the aid extended in earlier years which had amounted to $265 million.

303. Saudi Arabia was also continuing its support for developing countries through various institutions such as AGFUND, to which an amount of $160 million was allocated, and it had also assisted numerous regional programmes such as the one concerning river blindness in Africa to which Saudi Arabia had extended $84 million to finance its first and second stages. For the special programmes for sub-Saharan Africa, Saudi Arabia had committed $100 million through the Saudi Fund for Development and had contributed at least 26 per cent of the capital of many multilateral agencies. It had extended loans to the World Bank and IMF amounting to $4 billion and $18 billion respectively. These loans had contributed to the increase in the lending capacity of those two institutions in an effective manner.

304. Referring to the severe economic crisis in the occupied Palestinian territories, he said action was needed by the world community to improve the conditions of the Palestinian people and to stop the practices oof the occupying power. It was shown in the study presented to the Board in this

regard that the contribution of GDP to GNP had declined from 75 to 73 and 56 per cent in 1981, 1983 and 1984 respectively. The growth rate had been 2.9 per cent in 1981 but had become negative (-0.4 per cent) by 1984. Transfers to the occupying country in the form of taxes and other transfer had increased, amounting to $185 million.

305. Saudi Arabia maintained that disparities between States in respect of resources should encourage co-operation among them. His delegation believed that positive efforts should be exerted to achieve comprehensive development, and this implied that development assistance must continue and increase. During the present decade resources sufficient to achieve a reasonable level of development would only become available when developed countries from the East and West bore their responsibilities and reached the level of financial resources to which they had committed themselves according to the IDS and the ODA targets.

306. He expressed support for ECDC and collective self-reliance, and welcomed the efforts to establish the GSTP. As problems of trade and finance were interdependent, Saudi Arabia supported global economic negotiations.

307. The importance of interdependence between countries and the necessity of international co-operation had both become apparent, and developing countries expressed their real desire for this co-operation. The world community today was asked to restore confidence in the institution of international economic co-operation and the United Nations system in particular. He called upon industrialized countries to start a new round of global economic negotiation, and he also called upon developing countries to continue their realistic, objective and flexible approach to overcoming the obstacles to the activation of international economic co-operation.

308. The representative of the Council for Mutual Economic Assistance (CMEA) stressed the urgent necessity of finding effective solutions aimed at the removal of exploitation in international economic relations, the avoidance of discrimination, artificial barriers and the unequal exchange of commodities and manufactures, and the need for alignment of monetary and financial relations. He referred to the initiatives of CMEA countries concerning the improvement of security and confidence in international economic relations, peace, disarmament and a universal system of world security.

309. In the current complex international environment the CMEA member countries were pursuing their course of acceleration of economic growth, intensification of production, structural adjustment and improvement of management. The national income in the CMEA area had grown by 3.6 per cent in 1985.

310. In the CMEA countries, as from 1986, a new five-year plan had been initiated and new, major, long-term trade agreements between member countries had been concluded. The trade in the area during the previous five-year period had increased by 64 per cent, and further growth was envisaged for the current plan period. The most dynamic element in that growth would be mutual trade in manufactures, especially in areas favouring acceleration of scientific and technical progress. He also stressed the intention of the CMEA countries to continue their development of economic relations with all countries on the basis of internationally agreed rules and principles, and he

drew the Board's attention to the information distributed among delegates by the CMEA Secretariat concerning scientific and technical co-operation of CMEA members with developing countries. 3/

311. He stressed the importance of UNCTAD in the contacts of CMEA with international organizations. In particular, he noted CMEA's support of UNDP/UNCTAD seminars for developing countries on opportunities for trade between Eastern European and developing countries. He also underlined CMEA activities in training nationals of developing countries. Finally, he stressed the importance of UNCTAD VII and expressed CMEA's readiness to promote, to the limits of its competence, a successful outcome of the seventh session.

312. The representative of the International Confederation of Free Trade Unions (ICFTU) expressed grave concern at the persistence of the economic crisis and its increasingly devastating social consequences for vast numbers of workers in both developing and industrial countries. One of the catch-phrases in connection with economic policy and recovery over the last five years had been "adjustment". But adjustment had become increasingly synonymous with austerity. The burden of adjustment had fallen primarily on working people, who were in effect being asked to make deep sacrifices on the promise that growth would eventually resume. Without a constructive international approach, no lasting solutions would ever be found to reverse the present disastrous trends. However, the key factor of interdependence continued to be neglected. There was interdependence not only among States but also among the various components of the world economy more particularly between the economic and social sectors. The weight of the debt burden of the developing world threatened the stability of the whole intricate international financial system and also the social and political structure of many indebted countries. Behind it lay a poverty crisis of tragic proportions.

313. Trade unions were deeply concerned at the lack of social concern displayed by many Governments and international agencies, particularly over the last five years; such an attitude was politically and economically dangerous. It undermined the foundations of democracy and thus the mechanism for resolving social conflict to the benefit of all. Economic policies must respond to the needs of working people if they were to stand a chance of success. Aid to the developing countries, particularly to the least developed, had to be increased. A renewed effort to strengthen multilateral trade policies was urgently needed. GATT should focus on new negotiations to check and control excessive use of trade controls, to open up the industrial countries' agricultural markets and to ensure that the minimum social standards were not sacrificed to export competitiveness. The Integrated Programme for Commodities should be developed to compensate developing country exporters for reduced earnings, and commodity prices should be stabilized at remunerative levels.

314. Joint action by industrial countries to revive growth was urgently needed. In most countries, there was an urgent need to build up the domestic financial system to increase the rate of savings and to channel resources into small-scale and labour-intensive agricultural and industrial projects, into adequate training and into the development of new and appropriate technologies. Reform of tax systems to spread the base of revenue raising was another key area.

315. Change in rural development strategies would in many cases promote the reduction of the cost of food imports, the creation of employment and the improvement of living standards of rural workers. Government spending policies and rural development programmes could help to ensure that available domestic resources were used more efficiently.

316. Trade unions were prepared to play their part in the promotion and implementation of national and regional development policies which met the difficult challenges of restoring growth, raising export performance, increasing employment and tackling poverty, their goal being to improve living and working conditions of the workers and their families.

317. The representative of China, commending the Secretary-General of UNCTAD on his assessment of the prevailing situation of the global economy and trade, stated that over the past year, the international economic scene had been characterized by several important features much different from the recent past. These included: the sharp decline in oil prices and United States dollar exchange rates; the gradual reduction of interest rates; and the lowest inflation rate for 20 years. These factors, in part, served to ameliorate the weak and austere Western economy and stimulated the economic recovery and growth in the developed countries. However, factors inimical to world economic growth remained - such as the still very serious problem of unemployment in developed countries, the enormous trade and budget deficits of some countries, rising trade protectionism, the drastic decline in the price of primary commodities, the debt-servicing difficulties of some debtor countries, and the widening gap between the developed and developing countries in economic development. Although the Western developed economies had recovered slightly, the difficulties facing the developing countries had not attenuated, with most of these countries still finding themselves in a grave development crisis.

318. Notwithstanding the adoption of Conference resolution 159 (VI) on the containment of protectionism, in recent years the developed countries had not met their commitment and were further intensifying their trade protectionism, thereby seriously damaging and distorting the principles of non-discrimination and most-favoured-nation treatment in the international trading system. The various defects in the international trading system required urgent correction.

319. The developing countries had borne the brunt of the upsurge of protectionism. Their export products which had a comparative advantage - such as primary products, textiles, garments, footwear, and iron and steel - had all run into protectionist restrictions imposed by developed countries. The recently concluded protocol of extension to the International Trade Agreement on Textiles, which extended the scope of restriction to include synthetics of plant fibre and silk, had aggravated the discriminatory restrictions on developing country textile exports to the developed countries. Trade protectionist bills directed at developing countries had been adopted frequently, while cases of anti-dumping and countervailing duties had increased substantially. These measures had seriously eroded the principles of international trade, hampering the economic and trade development of developing countries and threatening world economic stability. He urged the developed countries to fulfil their commitment undertaken in resolution 159, to abide strictly by the principles of international trade, to contain trade

protectionism, to reduce and eliminate tariff and non-tariff barriers, to give more preferential treatment to developing countries, to review their international trade legislation and procedures and to work to establish a just international trading system.

320. The new round of multilateral trade negotiations within GATT had already become a major contemporary issue in the world economic field, and he hoped that this international action would serve to enhance and improve the multilateral trading system, curb trade protectionism and liberalize trade, improve the terms of trade for the developing countries, and promote the sound development of the world economy and trade. China had formally applied for the resumption of its status as a contracting party to GATT and wished to participate fully in the new round of multilateral trade negotiations.

321. The world commodity market situation remained grim. Over the past five years, as the Trade and Development Report 1986 showed, the prices of non-oil commodities of the developing countries had dropped to the lowest level since the Great Depression and real oil prices had declined to the level prevailing before their rise in December 1973. As a result of the fall in oil prices, the developing countries as a whole would incur a loss of $US 50 billion in 1986. Most developing countries were suffering from deteriorating terms of trade and sharply declining export earnings. Stabilizing the prices of primary products and ensuring developing countries reasonable export earnings from these products were urgent issues. The international community, and particularly the producers and consumers of primary products, should adopt joint measures to maintain the price of primary products at a reasonable level. This would benefit the economic development of not only developing countries but also the developed countries in terms of obtaining a stable supply of raw materials and expanded trade exchanges with developing countries.

322. China called upon those countries which had not yet ratified the Common Fund to give serious consideration to the interests and demands of developing countries and to ratify the Agreement as soon as possible so as to enable its early entry into force. China also reaffirmed its support for the efforts made by UNCTAD in organizing negotiations on international commodity agreements, in promoting greater participation of the developing countries in the processing and marketing of primary products, and in establishing and improving compensatory financing facilities for export earning shortfalls.

323. The debts of the developing countries had risen sharply over recent years, totalling more than $US 1,000 billion to date. The international community had for some time been greatly concerned with the problem of debt and development of the developing countries. Since the 1970s, the developing countries' debts had increased at an annual rate much greater than the annual growth rate of their GNP or the annual growth rate of their export earnings. As a result, their debt servicing capacity had gradually declined. Moreover, there were changes in the debt structure unfavourable to them, including a rapid increase in the share of commercial loans and a sharp increase in short-term debts. Many developing countries were thus in the dire predicament of having to incur new debts to service old ones. In addition to the debt issue in Latin American developing countries and others, the debts of African countries merited urgent attention. In 1985, the total amount of foreign debts in African countries had reached $US 177 billion, with debt-servicing representing 40 per cent of their export earnings of the same year. As a

result of the dramatic fall in the prices of petroleum and primary commodities since the beginning of 1986, the developing debtor countries which relied on the export of such commodities had suffered a sharp decrease in export earnings and consequent difficulties in servicing their huge debts. Unless an appropriate solution was found the debt problem would not only hamper the economic development of the developing countries but also seriously jeopardize the international monetary system.

324. The Baker Plan put forward by the United States Government in October 1985 contained several positive elements. These included recognition that only renewed growth in the developing countries could lead to the solution of the debt problem and acknowledgement that the current high level of interdependence between the developed countries and the developing ones necessitated joint solutions to the debt problem by creditor countries, international financial institutions and debtor countries. However, the Baker Plan had only a limited role to play in solving the debt problem of developing countries, for the loans it envisaged were both inadequate in amount and stringent in terms. The implementation of the Baker Plan alone could not lead to a swift restoration of growth in the developing debtor countries. The debt and development of the developing countries would therefore continue to be an urgent issue confronting the international community.

325. The developed countries should help improve the debt-servicing conditions for the developing countries and increase capital flows to them so as to enable them to restore growth quickly. Furthermore, the debt problem should not be solved at the cost of the development and living standards of the debtor countries. The creditor countries, international financial institutions, commercial banks and the debtor countries should jointly assume their responsibilities for a just, reasonable and smooth solution of the debt problem, one of the major issues confronting the world today.

326. China considered that the following principles should be observed in finalizing the agenda for UNCTAD VII: (a) it should proceed from the current situation and be based on the major trade and development issues confronting the international community; (b) it should take into consideration the issues of concern to the regional groups and especially to the developing countries; and (c) it should draw upon past experience and formulate items that focus on particular subjects. Given these principles, international trade, commodities and debt of the developing countries should be treated as key issues, as his delegation had suggested at the Board's spring session. In addition, action-oriented measures should be adopted and generalizations avoided when UNCTAD VII reviewed the important trade and development issues.

327. As a developing socialist country, China had achieved notable results over the last few years through an economic policy of revitalizing the domestic economy and opening to the outside world. Over the past year, in order to ensure co-ordinated and steady economic development, it had taken the initiative of slowing down the economic growth rate. It had now embarked upon the road of healthy economic development with a realistic growth rate, better economic effectiveness and a gradually improved livelihood for the people. China's foreign trade had seen considerable growth of late. However, like other developing countries, China had suffered serious damage from protectionism. This was harmful for the developpment of the country's foreign trade, as well as for the normal functioning of international trade.

328. The year 1985 had seen the successful completion of China's 6th Five-Year-Plan. The 7th Five-Year-Plan would be implemented starting from 1986. During it, China would continue to carry out in-depth and systematic reform of its economic system and to rationalize various economic relationships. China's "open-door" policy was a long-term fundamental policy of the State. It was open not only to the developed countries of the West but also to the developing countries and socialist countries. China believed that the implementation of the 7th Five-Year Plan would ensure prospects for its economic and trade co-operation with all the countries in the world. China needed a long-term peaceful and stable international environment to overcome protracted backwardness, to build its country into a modern socialist country with Chinese features and to achieve prosperity for the country. It was prepared to co-operate with other countries throughout the world in an effort to address the two main contemporary issues of peace and development, and to maintain peace and promote the development of all, and particularly of the developing countries.

329. The representative of Canada highlighted several important considerations with respect to the international economic scene:

(a) Recovery in the world's economy was now in its fourth year, but the momentum of recovery needed to be maintained, expanded and extended, particularly to the countries of the third world;

(b) Industrialized countries should continue efforts to co-ordinate their macro-economic policies with the twin goals of eliminating global disequilibria and promoting growth;

(c) All countries must continue to pursue domestic policies aimed at promoting sustained, broadly based, non-inflationary growth;

(d) Developing countries should continue to formulate domestic economic policies that promoted growth-oriented management, financial prudence and economic responsibility;

(e) Debtors, creditors, commercial banks and multilateral agencies should continue to pursue a co-ordinated, case-by-case approach aimed at promoting growth and adjusment as a means to ease the debt crisis;

(f) Official and private financial flows, including those of donors, multilateral institutions and banks, should be maintained to support development;

(g) The serious trade and structural problems in the agricultural sector should be addressed at the earliest possible time;

(h) The international trading system was in urgent need of further liberalization and strengthening through a new round of trade negotiations.

330. He commended the Secretary-General on the latest Trade and Development Report which covered many of these issues. He noted that the Report underlined the uneven nature of the present economic recovery, and acknowledged that serious problems persisted. The August IMF Survey indicated that the projected annual inflation rate for all developing countries would be around 43 per cent and would go as high as 129 per cent in Latin America.

The IMF also projected a growth rate of 3 per cent for developing countries in 1986/87 and a rate of 4.7 per cent per year for the period 1988 to 1991. This was an annual per capita income growth of 2.7 per cent, well below the 3.4 per cent of the 1970s. Furthermore, according to the 1986 Yearbook of Direction of Trade Statistics, the value of developing countries' exports had fallen in 1985 by $24 billion, or 4.5 per cent, after a rise in value in 1984. These developments in large part reflected the declining value of world petroleum trade and the fall in commodity prices. External creditworthiness showed few signs of improving. Total private bank flows in developing countries slowed to $3 billion, compared with $14 billion in 1984, according to the IMF.

331. There were several reasons why certain developing countries had not yet shared fully in the economic recovery. As suggested by the Trade and Development Report 1986, the debt crisis triggered by the world economic downturn was partly the cause of the continued economic sluggishness. But also of importance were domestic policies and management in developing countries and the consequences of poor planning. Some of the most successful economic performers were developing countries in South and South-East Asia. The experience of these countries should be focused on for indications of useful measures that might guide others rather than generalizing from the hardest hit economies.

332. The Trade and Development Report provided insight into some of the ways in which OECD economies must move in order to foster greater economic growth. It had a useful perspective on the interrelationships, causes and effects of domestic macroeconomic policies of the major industrialized countries that echoed many of the sentiments expressed in Canada and elsewhere. The major industrialized countries had explicitly recognized the need for greater co-operation in the formulation of macroeconomic policies. Mutually re-inforcing economic developments and policy decisions such as those with respect to G-5 countries' currency realignment, the progressive reduction of the United States budgetary deficit, and the March action by the central banks of the United States, Japan and the Federal Republic of Germany on a co-ordinated interest rate reduction had eased earlier uncertainties clouding the economic outlook. The Tokyo Summit had also endorsed the strategy of greater co-operation in macroeconomic policy formulation with a view to promoting higher levels of non-inflationary sustained growth. Greater international co-operation, however, was still needed to reduce existing imbalances, lower interest rates, facilitate adjustment and encourage demand.

333. The Canadian economy was continuing to contribute to world economic recovery. The recently published OECD Economic Survey on Canada revealed that Canada's growth rate over the past 18 months had been among the highest in the OECD area. Canada's rate of output in 1985 had been 4.9 per cent, and the unemployment rate had fallen below 10 per cent. The rate of job creation was the greatest in the OECD. Inflation was down to 4.0 per cent, compared to the OECD average of 4.6 per cent. According to the Survey, Canada's economic prospects in 1986 and 1987 appeared relatively favourable, with a growth forecast of 3.5 per cent per year. This performance was the result not only of an improved international economic climate but, more importantly, of a national commitment to restoring the conditions for sustained non-inflationary growth. The Canadian Government's economic agenda, as set out in the May 1985 and February 1986 budgets, had focused on the control of public debt through the reduction of budgetary deficits, on a more efficient management of the

best copy available

public sector and on the encouragement of private sector initiative. Canada was taking measures to correct structural imbalances in its economy, to encourage greater participation of the private sector and to promote increased competitiveness. Adjustments to its tax system were also being made to encourage individual and corporate initiative.

334. He further stated that appropriate domestic policies remained at the centre of all development. If other countries were to benefit from greater economic growth rates, it was essential that they developed and pursued realistic and achievable policies. Developing countries should continue their efforts to adjust their economies to the changing international economic environment through the implementation of outward-looking and efficiency-oriented economic policies. Many developing countries had already taken courageous measures, despite the difficulties they faced in doing so. But much more remained to be done.

335. High priority should continue to be placed on the stability of the international financial system and the growth prospects of heavily indebted countries. Many of the ideas expressed in the Trade and Development Report on easing LDC debt-servicing problems merited further serious consideration.

336. Substantial progress had been made over the last four years on the debt question. Since the October 1985 IMF/World Bank Annual Meeting in Seoul, much work had centred on the follow-up to the Baker Plan which proposed that structural adjustment efforts by debtors should be supported by increased lending from commercial banks and multilateral institutions. Since then, the IMF had approved the establishment of a special account to lend IMF Trust Fund reflows to the poorer debtor countries. Consideration had been given in the World Bank to ways to supplement these funds. Discussions leading to concrete improvements in IMF/World Bank co-operation had been held. Negotiations were under way to agree on a substantially larger replenishment of IDA VIII. Recently, a major financial package had been put together under IMF auspices for Mexico, involving some $12 billion over the next 18 months. This package represented the first comprehensive programme for a major debtor along the lines foreseen in the Baker Plan. Similarly, Burundi had benefited from the greater facility for poorer countries.

337. The case-by-case approach to debt management based on co-operation among creditor and debtor Governments, commercial banks and international institutions had proven to be flexible and sensitive to the very different circumstances of different debtor countries. There was still the need for debtor countries to undertake structural adjustment to manage their economies more effectively.

338. Countries with serious problems generally turned to the IMF only after they had exhausted all other avenues of support. The IMF as a lender of last resort should continue to evolve and to exercise flexibility to the greatest extent possible. At the same time, it should not be expected to exceed the bounds of financial prudence. There was a need for sufficient financial flows to developing countries and most particularly to the poorest developing countries. Canada shared dismay at the prospect of the developing world receiving fewer financial inflows than it must pay out. In light of its concern for the financial position of the poorest countries, Canada had announced at the special session of the General Assembly on Africa its readiness to extend a moratorium on the repayment of ODA debt for those

countries in sub-Saharan Africa that were undertaking serious efforts of domestic economic adjustment. As the developing countries continued to put their respective houses in order, it was essential that they received the financial and political support they needed to proceed. Creditor countries should ensure that their domestic regulations did not unnecessarily impede commercial bank flows. Creditor countries should also ensure that their development assistance programmes were compatible with the adjustment objectives of international financial institutions and recipient countries.

339. Canada's own aid efforts would continue, with an expected growth of 8.7 per cent in its ODA over the next five years. Canada had converted all of its bilateral development assistance programmes to an exclusively grant basis, and would continue to seek to increase both the quality and quantity of its development assistance.

340. The international agricultural trade situation had continued to deteriorate. World supply for most agricultural commodities exceeded effective demand. The price for non-oil commodities was down 12 per cent from last year, and prices were at historic lows. The agricultural policy focus was now back on how to cope with an international market characterized by structural surpluses and massive trade distortions. These were directly linked to domestic agricultural support programmes. More attention should be paid to the problems of agricultural commodities in the world trading system, beyond international commodity agreements. More effective international disciplines on subsidies affecting agricultural trade were needed. The new round of multilateral trade negotiations would offer the best opportunity to determine solutions to the basic problems of restricted access and trade-distorting export subsidies, which characterized much of agricultural trade. Bilateral and multilateral efforts should be made now to resolve the serious problems in this sector.

341. The new round of multilateral trade negotiations within the framework of GATT should go forward with a comprehensive, ambitious and balanced agenda that reflected the interests of all participants. It was the Canadian expectation that the new round would counter current protectionist pressures in the world trading system, improve market access on as broad a base as possible, strengthen the international trade system, establish effective discipline in world agricultural trade, and address the whole range of issues that had been identified by countries. All trading nations would benefit from a well functioning and open multilateral trading system; all should be ready to contribute to that system in a manner commensurate with the benefits they obtained from it.

342. The spokesman for Group D (German Democratic Republic), speaking also on behalf of Mongolia, observed that the contemporary world was complex, multiform and full of contradictions. In spite of a number of substantial initiatives and proposals, the international situation remained tense, and it had not been possible to resolve the global problems of mankind. At the same time, States and peoples had become increasingly aware of the interdependence of problems of international trade, development finance and the international monetary system as well as of the interdependence among States. Many of the new international processes were interrelated and thus could only be managed through joint action. UNCTAD might and must make an effective contribution to

READEX FICHE

this effort and UNCTAD VII in particular would provide new opportunities for united efforts aimed at a recovery of international economic relations, at the creation of an atmosphere of confidence in this extremely vital sector of intergovernmental ties, and at the accomplishment of international economic security for all countries.

343. The international community was watching the deliberations in Harare at the Seventh Summit Meeting of Non-Aligned Countries with great attention and sympathy. Group D and Mongolia were fully convinced that this outstanding international event would give fresh impetus to the safeguarding of global peace, the strengthening of national independence and to peaceful international co-operation on the basis of equal rights.

344. The Group D countries and Mongolia saw UNCTAD VII as a possible milestone in the restructuring of international economic relations on an equitable and democratic basis, and the Board should now make it its task to produce concrete decisions on arrangements for that session. On the whole, it seemed essential for UNCTAD VII to undertake a thorough analysis of the current situation in the fields of development, trade, and international monetary and financial relations, and, on that basis, to make action-oriented and feasible recommendations.

345. Such an approach would be in full accord with the endeavours of peoples striving to overcome economic backwardness and reach the level of the highly developed industrialized countries. In addition, UNCTAD VII would provide opportunities to open new horizons in East-West co-operation and promote co-operation among developing countries. The need for matter-of-fact and result-oriented action was mainly due to the current situation in the world economy, which had been thoroughly analysed in the Trade and Development Report 1986. The Group D countries and Mongolia shared, to a large extent, the assessments made in the report concerning the processes and phenomena observed in the world economy. The main point for UNCTAD member States now was to advance towards concrete solutions based on that analysis. As had been stated with full justification in the Report, the international economic climate had not improved. Now as before, the world was facing growing signs of crisis in international economic relations, a destabilization of trade, economic, monetary, financial, scientific and technical relations between States, and a deepening of the "development crisis" in developing countries. Thus, the economic growth rate in developed market-economy countries had fallen in 1985 to 2.8 per cent, from 4.5 per cent in 1984. Positive results in combating inflation contrasted with a persistently high rate of unemployment, and an economic growth rate of merely 2.8 per cent was expected in 1986.

346. In developing countries, economic development remained crisis-ridden. Structural adjustments, promotion of the private sector and stronger integration into the market-economy system had not yielded the promised favourable results. The growth rate in developing countries' manufacturing sectors had fallen to 2 per cent, and in a large number of States it was below the population growth rate. Deteriorated international general terms and conditions, stemming, in particular, from anti-inflation policies, had added to the aggravation of the economic situation in developing countries.

347. Obstruction of the independent economic and social development of developing countries and their increased exploitation by transnational corporations, interference in the internal affairs of sovereign States and abuse of international economic relations to exert pressure must give way to equitable and mutually beneficial economic co-operation. Methods in conflict with United Nations principles, such as the unilateral non-fulfilment of concluded economic contracts and agreements and credit and technology blockades, as well as discriminatory measures in the field of trade and scientific relations, must be excluded from economic relations between States. Without overlooking social, political and ideological contradictions and differences, the art and science of conducting a result-oriented and realistic dialogue must be learned. Differences and divergences of opinion existing within the economic sector of the United Nations had to be subordinated to the search for new ways and methods of co-operation.

348. Guided by this awareness, the Soviet Union had submitted in the International Year of Peace a comprehensive programme for the complete and world-wide elimination of nuclear weapons by the year 2000. It had also been the Soviet Union that had started an initiative for the establishment of an all-embracing system of international security. The recent decision of the USSR again to extend its unilateral nuclear test moratorium furnished fresh proof of the Soviet Government's responsible approach towards the preservation of peace.

349. The countries of Group D and Mongolia supported these initiatives and proposals because they were inspired by serious will and showed how one could adopt a new approach to things and find new procedures and forms in the relationship between the different social systems, States and regions. Reliable security for all countries and peoples, as well as peaceful conditions for their development and progress, could only be guaranteed by political means, i.e. by way of understanding and agreements.

350. Halting the arms race, abolishing nuclear, chemical and conventional weapons and considerably cutting armament spending - those were effective and rich sources from which the urgently needed funds to meet the economic and social requirements of all peoples, in particular the peoples of developing countries, might be drawn.

351. The moment had come to replace the principle of "armament instead of development" by the principle of "disarmament for development". Any realistic politician, economist or businessman could not but recognize these days that in order to overcome economic backwardness, eliminate hunger, poverty, epidemics and illiteracy, meet mankind's growing demand for energy, raw materials and food, protect the environment and open up the oceans and space for peaceful purposes, it was absolutely necessary to safeguard peace and international security.

352. UNCTAD and its member States could contribute to this by laying the foundations for a system of international economic security including: elimination of all kinds of discrimination in international practice; abandonment of the policy of economic blockades and sanctions unless envisaged in recommendations adopted by the international community; a joint search for ways to ensure a just solution to the debt problem: the establishment of a new international economic order guaranteeing all States the same economic security; and the elaboration of principles whereby part of the funds released

by a reduction of military budgets could be used for the benefit of the international community, in particular developing countries. Such a system of international economic security would, at the same time, contribute to consolidating confidence between States and to enhancing the role of UNCTAD within the system of international organizations.

353. Special importance had been attributed over the last few years to the search for possible solutions to the crisis of the monetary and finance system. The major problem to be tackled was the huge indebtedness, reaching today the enormous sum of more than $US 1 trillion. This put too much strain on all debtor countries in the world, and in particular on developing countries. Many countries were already facing severe problems, with debt servicing negatively influencing their economic growth.

354. The Trade and Development Report 1986 rightly stated that the approach suggested by Western States had not gone beyond the embryo stage. The socialist countries had repeatedly advocated a just settlement of the debt problem. They held the view that nobody really anxious to find a comprehensive solution to this issue could oppose the adoption of decisions within the United Nations designed to cope with the problem of external debts. Important steps on the way to a solution of external debt problems, in particular of developing countries, were, in addition to the release of funds through concrete disarmament measures, the lowering of interest rates for loans and credits, the stabilization of exchange rates, the restructuring of the international monetary and financial system taking into account the interests of all States, and the abandonment of protectionist measures in international trade.

355. In fact, 50 per cent of world trade was still subject to protectionist measures. This directly prevented an improvement of the situation in developing countries and, consequently, the reduction of their debt burden. According to UNCTAD calculations, developing countries would earn additional foreign exchange amounting to $34.8 billion if only tariffs and non-tariff barriers in developed market-economy countries were to be abolished. However, not only developing countries but also socialist States had been affected in their trade relations to a growing extent by protectionist measures. As had been proved, goods exported by socialist countries to developed market-economy countries were as a rule facing higher tariff barriers. On the other hand, non-tariff barriers were applied to a much larger part of socialist countries' exports than in the case of exports from developed market-economy countries or from developing countries. The problem was that, notwithstanding the agreements reached on "standstill" and "roll-back", protectionism was growing buoyantly. This process must be halted by taking effective steps. The subject of curbing protectionism and creating favourable foreign economic conditions was going to be of great importance also in the deliberations at the Punta del Este Ministerial Meeting. The countries of Group D and Mongolia paid great attention to that meeting, as it was meant to initiate a new round of multilateral trade negotiations. It was apparent that the subjects which might be agreed for negotiation would affect the interests of all States.

356. The spokesman for Group D said that a policy of result-oriented, matter-of-fact dialogue and co-operation in favour of serious and productive negotiations in pursuance of General Assembly resolution 40/178 to consolidate the role of the United Nations was required in order to be able to resolve the major problems of world trade and economic development in today's

contradictory, but nevertheless interdependent world. UNCTAD VII would provide the necessary prerequisites for all States to pursue such a policy. It must be used to work out concrete recommendations taking into account the interests of all States and guaranteeing all of them the same economic security.

357. The representative of Peru said that at UNCTAD VII the treatment of the issues on the agenda should not be limited to an evaluation of situations but should lead to firm commitments by all participants to implement concrete measures of action.

358. The Trade and Development Report 1986, made it clear that the economic policies of the major developed countries, implemented with the fundamental objective of controlling their domestic inflation without regard to their international repercussions, had prolonged and accentuated the debt and development crisis, while deflationary tendencies had constituted an overwhelming threat to world prosperity.

359. The negative aspects of the present international economic situation were felt more forcefully in the less developed and medium-sized of the developing countries, particularly due to their export structure with its concentration on raw materials. The heavily indebted developing countries had become more vulnerable and dependent as a consequence of the persistently high and fluctuating international interest rates.

360. With respect to international trade, the most negative effects were the fall in the real prices of primary commodities to levels not seen since the crisis of 1930, combined with the stagnation of export volumes. In addition the protectionism policies of the developed countries, adopted contrary to former commitments, had not been attenuated even in the year 1984 when the world economy had shown a recovery. Economic growth rates had remained low and the number of countries with stagnating or declining growth had doubled.

361. The Latin American region had become a net exporter of capital as a consequence of the high servicing obligations on external debt, endangering the stability of the socio-economic system. In 1985 this net transfer had reached a value of $30 billion and in the last four years had amounted to $100 billion, equivalent to the gross investment of the region during one year. Accordingly, the principal task of Latim America had to be to reverse the direction of this capital flow, through the limitation of debt service to a proportion of export earnings, to be determined by the development needs and the economic and social requirements of each country. At the recent ECOSOC session, a resolution had been adopted referring to the net transfer of resources of developing to developed countries. In this resolution member States, specialized agencies and the competent organizations of the United Nations system were encouraged to adopt measures in the monetary, trade and financial (including debt) sphere to turn around the direction of these flows.

362. A global, just and lasting solution to the debt problem should be reached through a political dialogue between debtors and creditors. Formulas that insisted on the role of domestic policies, without paying attention to improving the availability of financial resources, the level of interest rates

and trade conditions were bound to fail. However, the creditor countries were making no effort to improve the conditions of international trade in order to enable developing countries' exports to meet payments needs and to sustain a minimum level of economic growth.

363. These contradictions explained somehow the inflexibility and rigidity of the IMF in the case of Peru. The members which had most influence in this institution had decided that Peru had not fulfilled the agreed rules, overlooking the fact that this was not due to lack of will but due to factors outside the control of Peru. The delays in payment to this institution had been caused by the grave crisis of the Peruvian economy in recent years.

364. A series of natural disasters had to be added to the drastic fall in the value of exports and the protectionism of the industrialized countries, all of which had led to the most serious depression of the century. This situation had been aggravated in the first part of 1986, due to a renewed fall in the prices of petroleum, silver and copper. To service the debt in these circumstances would have aggravated the situation of poverty and would have eliminated any possibility of resumed growth in the near future.

365. Peru had put into action an emergency economic plan, the first results of which indicated a halt in the deterioration of the economic situation of the country and even showed signs of a domestic economic recovery. The fiscal deficit and the inflation rate had been reduced and the negative tendencies in workers earnings had been reversed. A recovery of the control of monetary instruments could be expected. These results had been obtained in spite of the involvement of the Government in the struggle against subversive movements and the traffic of narcotics, which cost a lot to the Government. The economic strategy of the emergency plan that had been put into action required a level of international resources that guaranteed the continuation of this progress in order to obtain further and stable improvements. The amounts to be channelled to the service of debt therefore had to be limited to a maximum of 10 per cent of the exports of goods and services.

366. Due to the continuing adverse conditions in international trade, with further declines in prices, a loss in reserves of about $400 million was expected during 1986, in spite of the efforts undertaken. In these circumstances, it was considered that it would undermine the improving situation and the well-being of the Peruvian population if at this moment almost $200 million were paid in arrears to the Fund. A partial payment had been made and at the same time a detailed explanation had been given setting out the facts and asking for agreement to longer repayment periods than originally agreed. In answering Peru's request, the Fund had declared that Peru would not be considered eligible for new credits, which implied that Peru could not count any more on resources from international financial institutions and that obtaining new government loans would be made more difficult.

367. The Government of Peru did not believe that this was the best way to deal with the debt problem because, whereas it was today the case of Peru, tomorrow there would be other cases in which the debtor country would reach the adjustment limit.

368. At the same time, Peru did not wish to believe that, because the amount of its external debt did not endanger the international financial system, the IMF had decided to declare it ineligible so as to set an example to other debtor countries.

369. As the continuation of the dialogue and the search for a solution was considered important, Peru had decided to remain a member of the IMF. It thought, however, that the Fund and other international financial institutions should respond in a pragmatic way to the situation and should create urgently, as a step towards the right solution, mechanisms to help countries that, due to external conditions, were not able to meet their immediate financial obligations.

370. The representative of India said that the global crisis had brought into even greater relief the inter-relationship which had always interlinked the macro-economic varibles of the global economy and that UNCTAD rightly highlighted the fact that deflation was posing a serious threat to the world economy. UNCTAD was not alone in drawing attention to the disquieting developments in the world economy. The issue had been discussed in the Summit Meeting of Non-aligned States, and reports of other international bodies also gave rise to concern.

371. The hopes which had been raised in view of some improvements in the world economy in 1984 had soon faded when it became apparent that growth was uneven and that the partial recovery in the world economy had begun to falter. Furthermore, this partial recovery had not had much impact on many developing countries, and even in those where the growth process continued, hundreds of millions of people remained below the poverty level. In order to manage their debt problems, many developing countries, particularly those in Latin America and Africa, had had to make adjustments which had been posing severe threats to their socio-political goals. The total burden of developing countries remained at unprecedently high levels, and improvements in the external account deficits were achieved by drastic reductions in imports, while prices of commodities mainly exported by developing countries had reached an all time low.

372. In his view the international trading system was severely jeopardized by the above-mentioned trends. The implementation of the commitments undertaken by Ministers in the GATT Ministerial Work Programme of 1982 had been tardy and wholly inadequate. In fact, there had been an intensified drive for protectionism by developed countries, new departures from the existing norms, rules and regulations, and increasing resort to bilateralism and grey area measures, which had tended to erode confidence in and the credibility of the international trading system. Meanwhile, the major trading nations, in calling a new round of Multilateral Trade Negotiations, were seeking to shift the focus away from the essential task of preservation and strengthening of the international trading system by attempting to extend the mandate of GATT by bringing in new and alien themes such as services, investment and intellectual property. He said that the disciplines and approaches of GATT, which were meant to deal with trade in goods and commodities moving mainly across national borders, could not be transposed to such issues, and any attempt to apply a GATT-like approach to these fields would lead not only to perpetuation of the existing international economic order but also to the accentuation of its inequity and assymetry.

373. An across-the-road multilateral discipline in the area of services was not feasible because of the heterogeneous nature of the various service activities and their close inter-linkage with the socio-economic philosophies and goals of different countries and the implications for national security and sovereignty. In this context, he said that, from the viewpoint of developing countries, the most disconcerting development, which he regarded as a fundamental threat to the multilateral trading system, was the increasing tendency on the part of certain developed countries to force a linkage between the continued availability of the existing level of access to markets in developed countries and the developing countries agreeing to open up their markets in the area of new services.

374. Since in many service sectors the issues relating to development, transfer of technology and the role of transnational corporations were the most important concern for developing countries and since the service sector was not a 'prime mover' for their growth, they would not like to visualize a role for greater trade in services through the medium of transnational corporations which dominated the new and hi-tech services and the trade in them. He said they could not easily overlook the fact that the services theme was being rigorously propounded by the developed countries, which looked upon it as a sector embodying their third industrial revolution, whereas most developing countries were still in the stages of the first industrial revolution.

375. Protectionist measures had intensified since the call for a new round of trade negotiations had been made. In addition, recent trends pointed to increasing resort to voluntary export restrictions and other grey area measures, bilateralism and sectoralization, all of which had further eroded the multilateral system. According to a recent GATT report there were some 120 export restraint arrangements known to be in existence today. In an area of crucial importance in which developing countries had comparative advantage, the developed countries never allowed the rules of an open, non-discriminatory, multilateral system to apply. The newly agreed Multi-Fibre Arrangement not only extended the derogation from GATT in this sector by five years but in addition made the MFA more restrictive by extending its coverage to all vegetable fibres, making all talk of trade liberalization in the wider context rather hollow.

376. In his belief, the new round of negotations, by itself, would not restore credibility. Instead, the best way to ensure the presentation and possible enhancement of the multilateral trading system would be through (a) immediate action on standstill and on a quick time-bound roll-back of protectionist measures; (b) normative improvement through a comprehensive safeguard system on a MFN basis; and (c) adoption of trade liberalization measures based on the effective application of the rules and principles of GATT in trade in goods.

377. The multilateral trading system was also threatened by the increasing resort to restrictive business practices, particularly by the transnational corporations. The present trading system had no effective means of curbing such practices, nor did it effectively address itself to commodity issues. Perhaps UNCTAD could be requested to prepare the blueprint for such a comprehensive trading system that would be universal, and non-discriminatory and would take into account the particular needs of the developing countries.

378. As to development, the virtual collapse of the development process in the 1980s had entailed a high cost in economic, social and political terms, adversely affecting in the long term the ability of developing countries to restore their economies to a path of sustained and self-reliant development. It was evident that the large and persistent imbalances in the world economy could not be tackled by national policies alone but that it required effective international co-operation within a multinational framework and concerted action cutting across a wide range of inter-related issues. The present international trading, monetary and financial systems could no longer be seen in a compartmentalized fashion and the tentative and half-hearted policy measures adopted by the major developed countries so far had proved inadequate to tackle the systemic problems which beset the developing world today. In contrast, however, the recent trends towards increased protectionism and financial and economic instability on the one hand and the tendency to resort to ad hoc actions and a piecemeal approach in response to global issues had hit at the concept of multilateralism itself. One had witnessed a decline in the spirit of international co-operation and the erosion of the original development consensus of the early years of UNCTAD's existence. With ODA remaining short of target, the Common Fund still not operational and the fundamental principles of the GSP being undermined, the question was whether international development objectives would once again become one of the central concerns of developed countries. The revival of development of the developing countries in particular and the strengthening of the global economy in general depended on the renewal of commitment and the belief in multilateralism. In UNCTAD, the world had a unique forum where all countries together could negotiate multilateral commitments to concrete action which would facilitate the development process, in particular that of the developing countries. His country would not like UNCTAD's negotiating role to be diluted in any manner, it being the one organization where questions related to trade and economic development and their inter-relationships could be considered. Following the mandate of UNCTAD in the letter and spirit would be making a step in the right direction.

379. Turning to the preparations for UNCTAD VII, his delegation had been distressed to witness the painful and tortuous course which negotiations had taken regarding agreement on the agenda and also the organization and structure of the forthcoming session of the Conference, and he hoped that agreement on outstanding issues would be reached at the current session of the Board. He hoped that the intellectually independent role traditionally played by the UNCTAD secretariat in the preparation of documentation would be preserved in preparations for the Conference and that the initiative or integrity of the secretariat would not be circumscribed in any manner whatsoever.

380. In conclusion he said that he hoped that UNCTAD VII would not be utilized to negotiate concrete action-oriented decisions on specific items but that all would work towards restoring faith in multilateralism in order to prevent the vision of a new international economic order from being further blurred.

381. The representative of Argentina said that, in spite of some specific observations which it was going to make in the Committees, his delegation was fully satisfied with this year's Trade and Development Report and with the Secretary-General's thorough introduction of it. The press had referred extensively to the importance of the Report, and he congratulated the secretariat on the technical competence of its analysis and recommendations.

382. The spokesman for the Group of 77 had made a clear and technically competent exposition of the major concerns and positions of the developing countries, distinguishing the particular conditions of the different regional groupings. Although the Report could be interpreted from different angles, there was general agreement with its overall orientation.

383. The following five points, drawn from the Report and the statements by the Secretary-General and the spokesman for the Group of 77, should be underlined:

(1) The successful containment of inflation in the developed countries was not a sufficient guarantee to ensure order, stability and progress in the international economic system; on the contrary, the effects of the deflation process of the last years had had a negative impact on this system and, particularly, on the developing countries - this in spite of the severe adjustment policies which many of them had had to adopt.

(2) The interdependence that existed between countries, whatever their stage of development, and between monetary, financial and trade issues in the national as well as the international systems had been definitely established and required appropriate treament to reach desired solutions. These solutions would not be successful without a balanced distribution of their benefits over all countries, or without the global, harmonious and co-ordinated treatment of the major issues.

(3) Central to this interdependence, and therefore central to the strategy that should be urgently implemented, was the lack of economic growth and the growing burden of external debt. The structural readjustments that were required for this strategy were a major responsibility of the developed countries. Particularly noteworthy was the agricultural sector, where one of the most flagrant and monstrous distortions in international trade was to be found as a consequence of the insistence of developed countries on keeping the inefficient structures that represented more than $US 40 billion for the budgets of the United States and the EEC.

(4) It was particularly dramatic to observe that economic growth in the developing countries had practically halted. In the period 1980-1984 average annual growth had fallen to 1 per cent, recovering slightly in 1985 to 2.5 per cent and slowing down again to less than 2 per cent in 1986. These figures, which were even lower than population growth, roughly reflected the serious situation in which the majority of mankind was living and the dangers for the equilibrium of the international system.

(5) The protectionism of the developed countries, which vigorously resisted the adoption of corresponding structural adjustments, and the way in which the international community was approaching the GATT meeting at Punta del Este, which should lead to a new round of multilateral trade negotiations to initiate the transformations required in international economic systems, were the clearest manifestations of the grave mistakes that were being committed now.

384. As regards the political context of the meeting, a serious weakening of multilateralism could be observed, provoked by a policy that gave priority to bilateral or unilateral actions in preference to actions of collective co-operation for which the United Nations was the fundamental framework.

UNCTAD, which was the vanguard of this multilateralism, was consequently most affected by its weakening. The dialogue had been broken and the authentic process of co-operation between the major groups in the organization had been paralyzed. At the level of these groups and at the level of individual countries, there was a lack of orientation as to what to do.

385. The financial situation of the organization was a cause of concern and could lead to serious difficulties in 1987. The necessity of readjustments in the secretariat had never been denied but these readjustments should not lead to a lack of means of action.

386. In this context, it was likewise a matter for concern that no agreement had been reached with respect to arrangements for the agenda and the site for UNCTAD VII. The next session of the Conference should enable UNCTAD to accomplish its proper global function in the consideration of the problems of the international economic system, taking trade and development as central issues. Next year would be a crucial one for the fundamental objectives of UNCTAD. The revitalization of development, growth and international trade in a more predictable and favourable environment, through multilateral co-operation, was a necessity that could no longer be postponed.

387. The representative of Egypt stated that three factors characterized the present state of international economic relations in its multilateral dimension: (1) the preparations for UNCTAD VII, which meant that the resolutions of the current session assumed particular importance; (2) the fact that it was the eve of the GATT Ministerial Meeting in Punta del Este on a new round of negotations to liberalize international trade and to lay the foundation stone for a new structure for the international trading system which, he hoped, would meet economic development needs; (3) the fact that the present session followed the high-level Cairo meeting on ECDC. That meeting had aimed at strengthening ECDC to serve international economic co-operation in general and economic development in particular. The Cairo Declaration had affirmed this and had set out new approaches to overcoming the international economic crisis, which resulted from shortage of resources, decline in demand and protectionist restrictions imposed by developed countries against developing countries' products. The Cairo meeting assumed double importance: its comprehensive approval of economic relations among developing countries, and its appropriate timing, having been held immediately prior to the current session and the Non-Aligned Summit in Harare and immediately preceding the Punte del Este meeting. Thus it was possible to predict the extent to which the Cairo Declaration would be received in those meetings, given the fact that in the Declaration the Group of 77 had affirmed:

1. The importance of achieving more freedom of movement of capital, human and technical resources across the frontiers of developing countries, with more emphasis on developing production consumption and trade patterns;

2. An immediate start to the negotiations to provide the necessary infrastructure in the fields of money, finance, trade and industry to consolidate ECDC. This included the GSTP, trade among State trading organizations, improving the organizations dealing with basic commodities and flows of data;

3. Adherence to the principle of equity and reciprocal advantage, with special treatment for least developed countries;

4. Strengthening of economic co-operation with the hard-hit African countries.

388. In addition, the Cairo meeting had adopted two resolutions; the first called for the exclusion of South Africa from the Punta del Este meeting, and the other called for supporting the right of the Palestinian people to it to participate actively in the ECDC programmes.

389. The Trade and Development Report 1986 indicated that deflationary forces were the main obstacles to development and international economic relations. The growth rate in developing countries had turned out to be less than the growth of population in 1985 and there was even a negative growth rate in some of them. Levels of production and consumption had declined and that of unemployment had increased. Financial instability had become a serious problem in many developing countries which were facing the danger of having their development efforts ruined.

390. Developing countries had tried to adjust their policies to address these problems but the external environment had hindered any progress in this regard. The efforts of developing countries had become barely sufficient to halt the decline. While problems relating to the external environment had been dealt with in many reports, the political will to find appropriate solutions had been lacking.

391. Markets for the exports of developing countries had shrunk because of protectionist measures. Some weeks earlier international arrangements on textiles had been renewed for another five years which included restrictions and obstacles to the trade of what was an important export commodity for a good number of developing countries. The international trading system was no longer supportive of growth and development, and while one heard calls for international trade liberalization, one found continued insistence on restrictive arrangements for trade in items of interest to developing countries such as textiles.

392. The collapse in oil prices was one of the serious obstacles to economic development in view of the ensuing shortage of international liquidity and the availability of resources for development. It was not the case that the decline in oil prices would be advantageous to oil-importing developing countries, because the decline in export earnings of oil-exporting countries would lead to a decline in their imports and a shortage in world demand. This was bound to be reflected in the exports of non-oil-exporting developing countries. The end result would be a shortage of resources available to developing countries, whether oil-exporting or not.

393. In addition, the fluctuations in exchange rates and the depreciation in one of the major currencies would have deflationary consequences on the international economy. The debt crisis was becoming more serious, leading to a deterioration in relations between debtor and creditor countries. While debtor countries had taken some serious steps to improve their economic policies, corresponding steps on the part of the creditor countries to assist the debtors in servicing their debt had not been forthcoming. The situation had further deteriorated because of the situation of certain debtors among the energy-exporting countries. The co-operation of creditors and debtors had therefore become imperative to overcome this serious crisis.

394. Interdependence was not only related to the problems of trade, finance, and the international monetary system; there was also an interdependence between national economies where external debt was an important feature. The debt-service ability of developing countries was affected by their terms of trade and fluctuations in international interest rates. Being dependent on unstable bank lending, the economic situation of developing countries had become increasingly critical.

395. Governments should consider taking bold measures to consolidate growth and development in all respects. Such consideration was timely, given the numerous important meetings ahead, such as UNCTAD VII, IMF/World Bank, the forty-first session of the General Assembly and Punta del Este. The Punta del Este meeting would face the formidable task of starting a process of restoring credibility to a trading system under severe stress. To achieve this, the participants at Punta del Este would need to renew and reinforce their commitment to work within the framework and the rules of the international trading system, as well as to provide a determined impetus towards trade liberalization, while respecting the principle of differential and more favourable treatment of developing countries on a non-reciprocal basis. The participating developed countries would also have to recognize the importance of developing countries as significant trading partners, as well as the impact of their decisions on the environment for development and growth.

396. The success of developing countries in their adjustment efforts would depend on structural adjustment in developed countries. It would be essential to take the necessary steps to assist African countries in accordance with the programme adopted at the special session of the General Assembly on Africa in May 1986. The resources required to implement the programme should accordingly be mobilized.

397. The report of the UNCTAD secretariat regarding the latest economic developments in the occupied Palestinian territories referred to two important points; first that the situation in the occupied territories did not permit the identification and analysis of economic problems. Secondly, that the economies of the territories could be characterized by weak or non-existent development. The report also included the fact that the occupying authorities had refused to accept a mission to obtain direct information concerning economic development in the territories. He hoped that the Special Economic Unit (Palestinian People) would continue its efforts and consolidate its contacts with United Nations agencies, regional and national institutions and Palestinian centres. Egypt's support of UNCTAD efforts in this regard stemmed from its constant support of the peoples of occupied territories in Africa and Asia, specifically those of Namibia and Palestine.

398. The representative of Viet Nam stated that the world economic situation in 1986 remained unstable. Economic recovery had taken place in some developed countries, but at a slow rate and in an uncertain way, and, as a whole, the world economic growth rate was declining. The economic crisis had thus continued and deepened. In many developing countries economic growth was deteriorating, and in the area of international trade, the collapse of oil and commodity prices had made it impossible for developing countries, including oil exporters, to solve their debt and development problems.

399. Deflation and protectionism had aggravated tensions in international trading and financial relations, and the rules and principles of multilateral trade had not been respected. The general system of preferences, the most-favoured-nation clause and non-reciprocal treatment in favour of developing countries had been eroded. The situation had been aggravated by the adoption by some countries of blockades, discriminatory measures or sanctions against developing countries. The time was right for developed countries to co-ordinate their economic policies, not only to correct the disequilibrium in their trade balance but also to reduce interest rates in order to stimulate world economic growth.

400. He wished to draw the Board's attention to another important element which caused instability and insecurity in international relations, namely the unrestrained arms race of the imperialist and reactionary forces. Great importance should be attached to the relationship between disarmament and development and between security and economic growth. Global economic security had become a basis for development and for the establishment of a new international economic order. His delegation wished the Secretary-General of UNCTAD would present a report on the implementation of the resolutions adopted by the General Assembly and Economic and Social Council on these issues; for instance, resolutions 38/196 and 399/226 of the General Assembly on the establishment of mutual confidence in economic relations, resolution 40/173 of the General Assembly on international economic security and resolutions 297/XXIX and 321/XXXI of the Council.

401. Effective solutions to the present world financial crisis should be based on co-responsibility between debtor countries and their creditors and international financial organizations, and the Group of 77 declaration on debt deserved serious study by the parties concerned. He stressed that what was needed for the time-being were concrete measures to help debtor countries to overcome their economic difficulties, strengthen their development capacities and ensure the service of their debt. First and foremost, financial resources to developing countries should be increased and loan conditions should be eased to ensure recovery and economic development. His delegation recognized the urgency of convening an international conference on debt and finance to render the international financial system more supportive of development and contribute to the establishment of a just and equitable new international economic order.

402. The current session assumed great importance regarding the preparation of UNCTAD VII, and the Board was to take decisions regarding the agenda, programme of work, date and venue. In this regard his delegation supported the Group of 77 statement that the time was ripe for a final decision to be reached on these points at the current session.

403. The representative of Democratic Yemen said that the current session of the Board was being held at a time when global economic performance and the degree of international co-operation left little room for optimism. Indications were that the economic situation was critical, despite some slight and temporary improvements here and there. There was no doubt that, with real common will, multilateral co-operation and interdependence would provide considerable benefits to the whole world. Governments were on the eve of two occasions for evaluating matters logically and soundly - UNCTAD VII and the GATT multilateral negotiations. He noted that the Trade and Development Report, 1986 referred to the fact that the growth rate of exports of

developing countries had declined from 2.5 per cent in 1984 to 2 per cent in 1985, which was less than the growth of population. Imports had dwindled and the growth rate of the world economy was expected to stay at around 3 per cent. Thus, developing countries were still suffering from inflation, unemployment, adverse monetary and financial systems, low commodity prices and protectionist policies, all of which constituted impediments to development. ODA sources had declined in number and volume. Meanwhile, expenditure was increasing on arms and the means of mass destruction. The debt crisis was causing serious problems to poor countries and there was a reverse flow of resources from developing countries.

404. Despite intensive dialogue no agreement had yet been reached on the venue and agenda for UNCTAD VII. While one should be aware of the difficulties facing UNCTAD VII, it was imperative to reach agreement now lest there be a deterioration in international relations. The Group of 77 was flexible, and looked for a positive response from the developed market-economy countries.

405. The least developed countries, and particularly those affected by drought and famine, deserved priority in assistance in order to solve the problems impeding their development. This included the immediate implementation of the SNPA and the increase of external resources to supplement domestic resources. In view of the extent of their crisis, developing countries were concentrating on collective self-reliance to complement the North-South dialogue. The recent meetings in Cairo and Brazilia confirmed this trend, as would no doubt the eighth Conference of Non-Aligned Countries in Harare.

406. His delegation had carefully examined the secretariat report on recent economic developments in the occupied Palestinian territories (TD/B/1102), which was a serious and good document. It highlighted the adverse effects of the Israeli occupation and the Israeli policies on economic development in the occupied territories. It was important to stress the common responsibility for helping the Palestinian people to achieve its legitimate national rights.

407. Finally, he said that the Board was to embark on consultations to ensure the success of UNCTAD VII, which he hoped would give an impetus to assisting developing countries in overcoming the difficulties facing them. Despite their differences, it was the responsibility of member States to strive towards this end.

408. The representative of the United Kingdom, speaking on behalf of the European Economic Community and its member States, said that the world economy was now in its fourth year of expansion, although the benefits of this expansion had been unevenly distributed. Economic activity in recent months had been shaped by a number of developments, such as the fall in the value of the US dollar, which had begun early in 1985 but had gained further momentum from the Group of Five agreement in September 1985, the rapid fall in the price of oil, which would have a very significant effect in the short term and in the longer term, the continuation of the decline in interest rates, the further reduction in inflation and the declared intention of the United States to reduce its budget deficit.

409. The eventual net effect of these developments should be beneficial, as they served to correct imbalances in the long term. Economic activity had continued to grow, although considerable variations in performance still persisted between countries and regions. The EEC expected a real growth of

its GDP by 2.7 per cent in 1986 and by 2.8 per cent in 1987. In the developing world, however, a more mixed picture emerged, with some countries recording healthy growth rates while most others continued to face stagnant economic prospects.

410. In the majority of OECD countries most of the main economic indicators had further improved. Inflation rates had fallen to lower levels, interest rates had continued their downward trend and exchange rates between the major currencies had now been restored to levels which better reflected fundamental economic conditions. On the other hand, a number of serious economic problems persisted which could complicate efforts to sustain non-inflationary growth and increase the volume of world trade. Thus, unemployment rates seemed to have stabilized at very high levels and were incurring significant economic and social costs. There also remained a substantial degree of uncertainty surrounding the behaviour of exchange rates in the future and the medium-term prospects for energy and commodity price levels. Furthermore, recent economic developments had highlighted the severity of the debt problems faced by some developing countries and had added new urgency to calls for concerted action in this field, both by the indebted countries themselves and by the international community. In this respect, the Trade and Development Report, 1986 had concentrated excessively on the macro-economic policies followed by developed countries, with insufficient attention being paid to the domestic economic policies pursued by developing countries. A more balanced assessment of economic policies in the various regions would have enhanced the value and clarity of the analysis contained in the Report.

411. The EEC believed that the assessment of the Secretary-General of UNCTAD in his statement on the world economic situation was somewhat more pessimistic than a review of economic and trading forces suggested. Lowered oil prices and interest rates should provide a significant stimulus to economic activity in industrialized countries and would therefore result in an increase in the rate of growth of their imports. In 1985, EEC imports from developing countries (excluding petroleum) had increased in volume by 4.4 per cent, and an even higher increase was to be expected for 1986. A non-inflationary recovery could best be served through the maintenance and strengthening of an open multilateral trading system. The EEC and its member States reaffirmed their commitment to halting and reversing protectionism and to reducing and dismantling trade restrictions. The Community was fully committed to the preparatory process in the GATT leading to a new round of multilateral trade negotiations. It had also embarked on the process of reviewing its GSP régime for 1987 and had actively participated in the Multi Fibre Agreement negotiations where it had provided for increased imports from developing countries. In addition, 19 bilateral agreements had already been concluded between the EEC and textile-exporting countries.

412. The Community and its members States were very concerned by developments in commodity markets, given the vital contribution made by commodity exports to the total export receipts of many developing countries. Problems arising in this area could be dealt with through a multi-polar approach which should include and combine, as appropriate and on a case-by-case basis, product agreements or arrangements, compensatory financing and especially measures to encourage diversification and higher productivity through sectoral restructuring programmes. In this context voluntary pledges made to the Second Window of the Common Fund were potentially important. Despite the achievement of a sufficient number of ratifications, these did not amount to

the minimum capital subscription required for launching operations. The recent negotiation of a new international cocoa agreement was a significant development which might help to create a more favourable climate for discussing commodity problems in the future.

413. The Community had allocated significant funds under the Third Lomé Convention to the stabilization of export earnings of developing countries and intended to extend a system of Stabex-type assistance to least developed countries which were not signatories to the Lomé Convention. The EEC invited other industrial countries to set up similar systems. The compensatory financing facility of the IMF was also of considerable importance in this field.

414. Economic developments during the past few years had highlighted the need for stability in the international financial system, inter alia, with respect to inflation, interest rates and exchange rates. In order to achieve this aim, macro-economic co-ordination between the major economies needed to be further strengthened. To this effect he welcomed the measures agreed by the Heads of State or Government in the Tokyo Economic Declaration, and the Community was looking forward to continuing the work to improve the functioning of the international monetary system. The EEC also welcomed the rapid decline in interest rates during the last few months and hoped that better control of public expenditures and budget deficits would bring about further progress in this area.

415. During the past few years the international community had become increasingly aware of the magnitude and complexity of the debt-service payment problems facing many developing countries, as well as their implications in the political and social environment of these countries. The general improvement of the international economic environment would facilitate the resolution of this problem by encouraging growth-orientated structural adjustment and expanding trade opportunities for the indebted countries, as well as ensuring an adequate flow of public sector financing for those countries which urgently needed such support to tackle their economic and social problems. The international debt strategy provided the proper framework for dealing with debt problems on a case-by-case basis. The United States initiative had given rise to a new approach which involved the debtor countries, the creditor countries, the commercial banks and the international financial institutions in a collective effort. The eventual success of the adjustment efforts would greatly depend on the resumption of commercial bank loans, flexibility in debt rescheduling operations and access to export credits for the indebted countries.

416. Referring to the dramatic situation in Africa, he said that the origins of the continent's current problems lay in the declining productivity of its agricultural sector, its rapid population growth, the preoccupying degradation of its natural resources and a deteriorating international environment. As an active participant in the recent General Assembly's special session on Africa, the Community had fully endorsed both the common analysis of the region's economic problems that had been reached at the session and the broad joint strategy which had been laid out in order to resolve these problems. During the special session it had been widely recognised that it was the African countries themselves which would have to reform and redirect their own policies, using their own resources more effectively, restoring their productive capacity and in particular reaching the objective of food

security. At the same time the international community could and must assist them in their efforts by encouraging actions which might lead to the restoration of the continent's terms of trade, particularly in the field of commodities, by aiding African countries to tackle their debt-servicing problems and by making special efforts to increase resource flows to the least developed countries.

417. The European Community and its member States believed that existing mechanisms for the co-ordination of aid to developing countries should be improved and the volume of transfers should be maintained and where possible increased. Since the provision of official development assistance was of vital importance to the economic development of poorer countries, the Community would continue in its efforts to help them, both bilaterally and through multilateral development institutions. The donor countries of the Community wished to reaffirm their adherence to the 0.7 per cent target, as well as to the 0.15 per cent target in the SNPA. In addition, the Community had made clear the importance it attached to the eighth replenishment of IDA at the level of $12 billion and the need to maintain the highly concessionary nature of its funding, as well as to the recently agreed general capital increase of the IFC and to a substantial increase in the capital of the World Bank. It also attached great importance to encouraging private direct investment in developing countries; the ratification and subsequent activation of the Multilateral Investment Guarantee Agency could promote such flows.

418. UNCTAD VII presented an opportunity for a revitalization of UNCTAD's role as a central forum within the United Nations on a wide range of North-South issues. The European Community and its member States were determined to grasp this opportunity to contribute effectively towards the creation of a new climate in North-South co-operation.

419. The representative of Norway, speaking also on behalf of Finland and Sweden, stated that they agreed, to a large extent, with the analysis presented in the Trade and Development Report, 1986. The human sufferings due to chronic malnutrition and poverty in many developing countries which had made little or no economic progress over the last decade, as well as the imbalances existing in industrialized countries arising from high unemployment, gave no reason for complacency. The very essence of the North-South dialogue was that domestic and external macro-economic policies were shaped with the objective of satisfying basic human needs.

420. The debt crisis had attained a scale and scope which made it one of the most important economic and political issues of the day. The debt problem should be addressed in the framework of a coherent long-term growth strategy which built on and supplemented the traditional case-by-case approach. The responsibility for addressing the debt problem must be shared by all parties concerned. He noted that present strategies for tackling debt issues forced the indebted country to drastically reduce imports, including imports of capital equipment for long-term investment. Thus, debt was being serviced at the expense of future productive capacity - that is, at the expense of future debt-servicing capacity, a situation which would not be sustainable in the long run.

421. To solve the debt crisis it was necessary to increase the economic vitality of the debtor nations, enhance their capability to service debt and reduce their debt burden. Part of such a strategy was the extension of new credits with longer maturities; the rescheduling of old loans by way of introducing extended grace periods; the reduction of interest margins; and the search for new financial techniques to deal with debt issues. The Nordic countries supported these ongoing efforts to improve the financial machinery for dealing with debt problems. For the poorest countries whose debt burden was a serious obstacle to development and growth, causing great hardship to a vast number of people, outright debt relief must be considered.

422. The multilateral institutions, particularly the International Monetary Fund and the World Bank, must continue to play a central role in solving debt problems, and to this end they must be provided with increased resources. In particular, firm commitments were needed to increase the capital of the World Bank. It was also essential that the eighth replenishment of IDA be settled at a level of at least $US 12 billion, without eroding the grant element of these funds, which were of great importance to the world's poorest countries.

423. The Nordic countries encouraged all countries to increase their official development assistance (ODA) and accelerate their efforts to reach the internationally agreed targets of 0.7 per cent and 0.15 per cent of their GNP. Furthermore, the qualitative as well as quantitative aspects of private flows and direct foreign investments should be carefully considered.

424. Although increased financial flows to the developing countries were essential to achieve the necessary revitalization of the development process, in the longer term diversified and increased production and trade constituted the only viable strategy.

425. Exports of commodities were still by far the most important source of income for many developing countries. In this context, multilateral co-operation was needed to deal with the problems posed by the present very low levels of real commodity prices. Co-operation in the commodity sector had traditionally emphasized measures to stabilize prices, but it was still necessary to improve the functioning and stability of commodity markets. The Nordic countries, therefore, welcomed the success in negotiating a new cocoa agreement and hoped that the ongoing negotiations on natural rubber would also be successful. When price stabilization was not feasible or desirable, development-oriented co-operation or other forms of producer/consumer forums ought to be considered. With regard to the financing problems faced by, inter alia, the International Tropical Timber Organization and the International Jute Organization, some solution must be found, either by activating the resources pledged to the second account of the Common Fund or through other international arrangements. In addition, it seemed increasingly important to focus attention on long-term structural problems in the commodities' sector, and, therefore, measures to support structural adjustment should be considered. This included, inter alia, efforts within UNCTAD in the field of processing, marketing and distribution and endeavours in the sphere of compensatory financing.

426. There was a vital link between a non-protectionist trade régime and the ability of debtor countries to service their debt and to generate resources for their own development. Developing countries were frequently being urged to pursue export expansion and diversification strategies at a time when an

erosion of the multilateral trading system was taking place. International trade relations had become more strained. Protectionist measures had multiplied and there was a growing tendency towards bilateralism in trade relations. This erosion of the trading system constituted one of the gravest threats to sustainable economic growth and development. In this connection, the Nordic countries strongly supported a forthcoming new round of multilateral trade negotiations in GATT. Effective agreement on a comprehensive standstill and roll-back of protectionist measures should be an integral part of the decision to launch a new round. Special attention should also be given to the interests and needs of developing countries. A gradual integration of the developing countries consistent with their individual development, financial and trade needs was welcomed. National trade policy measures were essential in order to further improve market access of exports from developing countries.

427. On UNCTAD VII, he stated that it offered an occasion to reactivate and reorient, as appropriate, UNCTAD's role in supporting development efforts at national and international levels. In their view, UNCTAD should, in a comprehensive manner, tackle the central interrelated issues underlying development and attempt to pave the way towards a new consensus needed for further concerted measures.

428. The Nordic countries believed that selectivity in the choice of issue areas for UNCTAD VII, as well as careful organizational arrangements, were necessary for efficiency in work and meaningful results. Development financing, debt, related monetary issues and possibilities for increased transfers of resources, trade and commodities should be given the highest priorities at UNCTAD VII. In this context, appropriate attention must be given to the problems of the least developed countries. As to the organizational matters, the Nordic countries would prefer a high-official level preparatory phase leading to a decision-making phase at the ministerial level.

429. It was necessary for the current session to take a final decision on the provisional agenda for the Conference as well as on the main lines of its preparation and organization. All delegations should therefore show flexibility in agreeing on a short, concentrated and action-oriented agenda for UNCTAD VII.

430. While the organization had contributed significantly towards a better understanding of the problems of the developing countries, of the interdependence of countries and regions, and of the interlinkages of issues, UNCTAD was not only a forum for analysis and discussion but also for dialogue and negotiations. It was essential that UNCTAD VII result in agreed action to be implemented both at the multilateral and national levels. The Conference should also effectively project a development dimension into the work and decision-making undertaken in other organizations such as GATT, IMF and the World Bank. In this way, UNCTAD VII might give political impetus and momentum to other processes and contribute to a renewal of confidence in multilateral approaches to the management of international relations.

431. In concluding, he noted that much attention had, over the past few years, been focused on containing various international crises but, in the process, the solution to the pressing problems facing developing countries had been postponed. It was important not to lose sight of longer-term development

needs and the international measures necessary to secure a more harmonious economic growth and development beyond the immediate crisis management. The interdependence among nations and the interlinkages among issues called for an internationally agreed comprehensive strategy for sustained growth and development. Interdependence required that domestic structural adjustments in developing countries be matched by complementary adjustments in industrialized countries. However, domestic changes would not suffice unless they were complemented by improvements in the international system. Such improvements must be implemented through concerted multilateral action, in which UNCTAD could play a crucial role.

432. The representative of Australia commented on several items of particular interest to his country in relation to the international economic situation and developed some of the themes in the Group B statement. He took note of the uncertainty which continued to characterize the current international economic situation, despite some broadly positive developments which had recently taken place. The prospects for developing countries, however, remained mixed. For many of them the burden of debt and the detrimental effects of protectionism showed few signs of improvement.

433. The imminence of the Punta del Este meeting served to highlight the crucial importance of the international trading system for the economic prospects of developed and developing countries alike. No country was immune from the effects of protectionism.

434. In reference to the serious impact in recent years of the sharp deterioration in the terms of trade on the balance-of-payments position of commodity-exporting countries mentioned in the Trade and Development Report, 1986, he stressed that not only developing countries were affected but also developed commodity-exporting countries. With these terms of trade at such low levels, the Report might well have made more of the significant adverse impact on world growth that domestic agricultural protection and export subsidization policies of especially the major industrialized countries had had.

435. Australia, being a medium-sized country and trading nation, was most directly affected by international economic conditions, just as they had an impact upon the economic and political fortunes of almost every developing country. Moreover, as a major commodity exporter and a long-standing supporter of international co-operation in commodities, Australia was vitally interested in more stable and less distorted commodity markets. Yet, in common with so many developing countries, it was confronted by declining prices and was effectively excluded from some of the world's richest markets by an array of tariff and non-tariff measures.

436. A new round of multilateral trade negotiations (MTNs) would have a fundamental role to play in combating protectionism. A meeting of Ministers from 14 efficient agricultural producing and exporting countries - 11 of them developing countries - had met recently in Australia to consider the crisis in world agricultural trade and to identify areas of co-operation and common strategies to bring about lasting solutions. In the declaration issued at the conclusion of the meeting, the Ministers had emphasized the importance of the MTN addressing agricultural trade issues as a high priority. The Cairns declaration indicated several major measures which needed to be taken to

address the problems in agricultural trade. It also referred to the growing recognition of the agricultural trade crisis and its crippling effects on the economies of agricultural exporters, notably debtor nations, whose ability to service their debt was being continuously eroded.

437. The significance of the interdependence of the developed and developing world was demonstrated by the current high level of private and public debt of developing countries. Rising protectionism in major markets had an adverse effect on developing countries' capacity to service their debt and, in turn, on the major creditors' financial systems. The imposition of import restrictions in debtor countries to conserve foreign exchange depressed demand for exports, thereby reducing growth and employment in developed countries. With regard to the serious debt problems facing many countries, the most important element in an effective solution was structural adjustment in both developed and developing countries so that a widespread economic recovery could be maintained. Such a process would generate the growth, the export capacity and trade opportunities necessary for these developing countries to service their debts and to have the resources to improve domestic living conditions. Australia believed that a flexible, case-by-case approach to debt relief was the most practical and the one which involved least risk of any sudden loss of confidence in the international financial markets. It acknowledged that the impact of prolonged austerity programmes on living standards and on domestic political stability could be underestimated and it believed that the economic advice of the relevant intergovernmental institutions should give due regard to these factors. Adequate resources must be made available to developing countries whose access to resources for development had always been limited.

438. The linkage between increased financial flows to developing countries and the need for effective domestic policies to enhance development prospects, which the Group B statement had highlighted, had not been given the same emphasis in the Report. The marked variations in the growth rates achieved by individual developing countries had illustrated the importance of domestic policies. In his view, sustained economic growth, the foundation of development, would occur only where the individual Government was prepared to make difficult choices in response to the social and economic conditions it faced. Above all, economic policies in developing countries must continue to be directed towards mobilizing domestic resources for investment and development. Along with the greater acceptance of the importance of domestic policies, there was increasing readiness by many developing countries to acknowledge the contribution which the private sector could make to economic progress.

439. Commenting further on the Trade and Development Report, he mentioned two areas in which he would have preferred a somewhat different emphasis. While the document focused on the adverse effects on the world economy of deflation, there was less-than-adequate acknowledgement of the damage to all countries that would have resulted from continued high rates of inflation had the developed countries not maintained counteracting policies. Furthermore, the Report stressed the need for developed countries to co-ordinate their policies to ensure faster growth with lower real interest rates in order to stimulate world growth and development. While the Group B statement pointed to the growing recognition within major economies of effective policy co-ordination among them, it was important not to overstate the scope for such action nor, equally, to underestimate the extent of co-ordination already achieved.

440. In conclusion, he stated that the international community had reached a crucial point. The Cairns meeting demonstrated the co-operation that could be achieved between developed and developing countries in addressing common problems associated with the erosion of the multilateral trading system. It was Australia's intention to continue to adopt a constructive approach to further the common interests of the international community on the basis of efficient, realistic and effective policies.

441. The spokesman for the Group of 77 (Yugoslavia), speaking on item 4, reiterating the urgent need to strive for a lasting solution of the problem of external debt of developing countries, stated that in spite of the fact that the need to place growth at the centre of an international debt strategy had been more widely accepted, it had not yet been achieved. Some of the recent initiatives appeared insufficient in terms of their own stated objectives. The situation had continued deteriorating and his Group felt it necessary to reiterate its profound concern over this problem.

442. The developing countries had been facing a particularly difficult economic situation during the 1980s. Serious setbacks in the development of their economies had resulted in a fall of per capita GNP and a decline in living standards. In many cases social problems had been substantially aggravated. In an adverse international economic context in which decisions and policies of the developed countries exercised a decisive influence, the vulnerability of the developing countries' economies was greatly affected by external indebtedness. In spite of severe adjustment programmes carried out by developing countries with a view to meeting their external obligations, the prospects were in no way promising and the future was gloomy. It had become increasingly evident that the elaboration and implementation of adjustment policies had to proceed in tandem with a strong and lasting revitalization of growth and development.

443. There was no doubt that the heavy burden of the debt service had prevented developing countries from meeting their development objectives. Real interest rates remained high in spite of recent declines. The terms of trade of developing countries continued to deteriorate due to the fall in commodity prices and the collapse of oil prices, as well as to the persistence of policies of protectionism and subsidy carried out in the developed countries. All these trends were reflected in the pervasive persistence of the massive reverse net transfer of resources from developing to developed countries. The drying up of capital flows from international financial institutions, Governments and private banks to developing countries prevented the latter from fulfilling their obligations towards the creditors while paying due attention to their own economies.

444. Adjustment was a symmetrical process and had to be shared by both developed and developing countries. Due not only to economic, but also to social and political factors, the objective possibilities for the developing countries to continue with such severe adjustment policies were exhausted. It was time for developed countries to adopt meaningful and effective measures aimed at correcting the distortions that their macro-economic disequilibria inflicted on the international economic environment.

445. The concept of co-responsibility of all parties involved in the solution of the debt problem was increasingly being recognized. It needed to be recognized that the flow of resources had to be inverted, not only to produce a positive net transfer to developing countries, but also to provide the necessary conditions for their sustained growth.

446. It was indispensable to lower interest rates to bring them back to their historical levels and make them compatible with development needs of developing countries. The same importance should be paid to extending grace and repayment periods substantially, revising conditionality criteria, revitalizing development finance, raising commodity prices to equitable and remunerative levels and eliminating protectionist measures and subsidies in the context of an effective reform of the international monetary system and a strengthened and improved multilateral trading system.

447. Having in mind the close relationship between debt and trade it was imperative to stress that the capacity of developing countries to service debts depended directly on their export earnings and an improved and more stable access to the markets of developed countries, particularly in the priority sectors of their economies. Nevertheless, debt service should not exceed a percentage of export earnings compatible with the development needs of developing countries. In this respect, the Group of 77 expressed its solidarity with the Government of Peru and supported the decision adopted by SELA regarding the IMF's declaring this developing country ineligible for new loans.

448. The least developed countries faced a lingering economic crisis and many were suffering from heavy external indebtedness which had been further accentuated despite severe adjustment measures undertaken by them, often seriously jeopardizing their growth and living standards, thus creating explosive social situations in a number of them. This called for urgent co-ordinated efforts at the international level and expeditious and full implementation of agreed decisions, including Board resolutions 165 (S-IX) and 222 (XXI).

449. A combination of new loans and the rescheduling of old ones did not go far enough to alleviate the chronic financial insolvency of the least developed countries. Reliance only on rescheduling and new loans, far from being a solution, often made a very difficult situation even more untenable. The only lasting solution was for the debts of the least developed countries to be written off. The necessity of such a solution had been underlined by the adoption of the United Nations Programme for African Economic Recovery and Development 1986-1990 in which the international community recognized that no amount of improvement in the external environment and economic adjustment efforts by African countries would be sufficient to allow them to service their debt and establish a basis for sustainable growth. Effective and immediate debt relief measures, including debt cancellation, should therefore be taken in support of African countries' efforts.

450. The Group of 77 supported the convening of an international conference on Africa's external debt, which had been called for by the Summit Meeting of the Organization of African Unity. The Group of 77 also reiterated that the search for lasting solutions to the problem of indebtedness should be carried out through a political dialogue involving all interested parties: Governments of developing debtor and developed creditor countries,

international financial institutions and banks. Growth and development of indebted developing countries should constitute the basic element of any viable scheme aiming at the solution of the debt problem. The right approach could not be merely a technical one. It had to take account of the various political, economic and social aspects of the problem so as to allow the urgent adoption of adequate policies and measures.

451. Concrete and valid proposals already existed for such actions by the international community. They were contained in particular in the initiatives of non-aligned countries, the Group of 24 developing countries on international monetary affairs and the Group of 77. The outstanding significance of the proposal to convene an international conference on money and finance for development was being confirmed more and more by recent developments. The issue was gaining an ever growing importance in both specialized and general negotiating forums, and it would stand high on the agenda of the next session of the General Assembly of the United Nations. UNCTAD had both the mandate and the necessary experience to set the problem of indebtedness in its broadest development context and to search for appropriate solutions. These solutions should ensure a full implementation of resolutions 159 (S-IX) and 222 (XXI) - the most important results achieved so far by UNCTAD.

452. The spokesman for the Group of 77 (Sri Lanka), speaking on item 3, stated that the notion of interdependence had become commonplace. Its widespread acceptability reflected the fact that in recent years the linkages between national economies and between problems in different sectors had inflicted pain of one kind or another on almost all actors on the world economic scene. Nevertheless, the conventional view chose to pay scant attention to the relevance of interdependence to the development process. However, in the Trade and Development Report 1986, the analysis of developments in the world economy and their linkages with the development process was sufficiently deep and broad as to stop any objective reader from either ignoring or denying the extent of the damage inflicted on the development process in recent years by the international transmission of deflationary pressures. For this the Secretary-General was commended. The wide acclaim already given to the Report, in particular by the world press, indicated that the facts served to validate the thrust of UNCTAD thinking and to demonstrate the need for a stronger international commitment to development. The Group of 77 was heartened that the secretariat had chosen to respond to the political pressures upon it in this way.

453. The Report also made a timely entry into the discussion of the agenda of UNCTAD VII. It contained many pointers as to how the international community could rise to the basic challenge before it, in UNCTAD and elsewhere, which was to concretize the notion of interdependence into a new approach, buttressed by concrete action capable of reviving the development process.

454. The development process remained disrupted in developing countries as a whole. Over the period 1980-1984, growth in developing countries had collapsed to an average of 1 per cent per annum. It had picked up slightly to reach 2 1/2 per cent in 1985, but had dropped in 1986 to register only 2 per cent. These figures reflected economic retrogression in the developing countries and intense social and political strains. The crisis of development continued unabated, with no light at the end of the tunnel, despite the strenuous efforts of developing countries to tighten their belts and pull

themselves up by their bootstraps. In the face of this situation, it was regrettable that the North-South Dialogue was in a stalemate. The dialogue had turned into a monologue, a lecture to the developing countries to pull harder and harder on their belts and their bootstraps. The Group of 77 expected more from international co-operation.

455. One of the few positive features of the world economic situation was the defeat of inflation in industrialized countries. However, this victory owed much to the severe depression of oil and non-oil commodity prices and was largely achieved at the expense of the developing countries. This had severely negative consequences on the developing countries. Its ramifications were not confined only to developing countries, for the indebtedness of developing and other primary producing countries, and of primary sectors within industrialized countries, had become a major source of strain in the international financial system.

456. Much of the glut in commodity markets reflected the prolonged weakness of world demand brought about by the deflationary policies of the major market-economy countries. Part of it reflected the fact that financial pressures had forced commodity producers to keep producing at high levels, and in some cases to step up output, in order to compensate for shortfalls in income and excessive debt service payments. The distress of commodity producers was thus not a purely sectoral phenomenon. It was linked intimately with problems in other areas, in particular the macro-economic policies of the major market economies and the lack of a coherent global policy for combining adjustment and development. This had been repeatedly borne out by the use of measures which departed from the norms of the General Agreement, involving as they did the adoption of protectionist policies and subsidies in the area of commodities, industrial raw materials, and the products of simple technologies. These were the sectors where there was a competitive international market which did not permit resort to differential prices of a monopolistic or oligopolistic nature.

457. The growth of protectionism would lead to a relative decline in the international market, the creation of surpluses and the worsening of the economic situation of countries which were efficient exporters in the developing world and were suffering a serious decline in their export earnings. The cost of agricultural protectionist policies, added to the cost of protection in the industrial sector and the growth of non-productive expenditure, explained why there were major budget deficits and public expenditures in the industrialized countries which, to counteract the inflationary effects of such policies, adopted restrictive monetary policies which led to rises in interest rates and displaced the effects of adjustment from the industrialized countries to developing countries.

458. Deflationary pressures had also affected trade in general. Weak demand conditions in developed countries and the high rates of unemployment that had accompanied them had been an important factor behind the escalation of all kinds of trade-restrictive measures against developing countries' exports. Additionally there had been a failure on the part of developed countries to honour their commitments regarding standstill and roll-back of protectionist barriers and to respect the basic principles of the international trading system. The current realignments achieved in the course of the last year

would not deal with this problem unless they were followed by a faster pace of economic activity. In fact, the pace of activity had been slowing. The risks of an intensified struggle for markets and tightening of import restrictions were thus greater than ever.

459. Protectionist policies had also been intensified, undermining the efforts of developing countries to run trade surpluses to make up for both the massive worsening of their terms of trade and the deterioration of the balance of financial inflows and outflows. As interest rates had jumped and bank lending collapsed, the swing in net flows had amounted to some $75 billion between 1980 and 1985, making it necessary for developing countries to cut their imports and increase their penetration of foreign markets. Shutting out exports from developing countries was an inappropriate way for developed countries to protect employment, since developing countries used their export revenues to buy goods and services - that is to provide employment to export industries. They did not export in order to hoard financial assets - unlike some developed countries that had in the past achieved vigorous export growth. It was doubly inappropriate to impede imports from developing countries when they were under pressure - including pressure from the protecting Governments themselves - to increase their exports and improve their trade balances.

460. These considerations pointed to the need for industrialized countries to fully commit themselves to the principles of the international trading system, to implement previous agreements on trade liberalization, to improve market access and particularly to take the necessary measures towards more expansionary policies that would improve the international economic environment.

461. The financial squeeze on developing countries remained extremely tight. The combination of worsened terms of trade and higher interest charges on the stock of debt had both increased the need for borrowing and choked off its supply, in particular from commercial banks. For many countries, even normal trade credit had dried up, raising the day-to-day costs of international trade transactions. One manifestation of the combination of glutted markets and financial stringency had been a widespread resort to counter-trade. Meanwhile, flows of official development assistance had remained inadequate and the capacity of multilateral financial institutions to assist developing countries had remained restricted owing to the erroneous thinking of the developed countries.

462. The conventional view, which was being pressed upon developing countries from many quarters, was that the way out of the debt and development crisis depended on continued austerity, improved efficiency and increased incentives to direct foreign investment. While efforts to achieve these objectives had a role to play, practical experience did not warrant the unquestioning belief in supply-side miracles that seemed to underlie current thinking. The rapid recovery of the United States economy - which had now petered out - was not based on such a miracle. An objective appraisal of needs and opportunities before developing countries pointed to the fact that growth prospects for most developing countries would remain grim in the absence of improved commodity prices, wider access to industrialized countries' markets, lower interest rates and enlarged flows of external finance, including flows from official sources. Only if the external variables underwent significant improvement could developing countries succeed in their efforts to step up their savings

and investment, modernize their capital stocks and upgrade their skills, and attract foreign lenders and investors. Without a more equitable international environment, the new recipe of drastic domestic policy reform with minimal amounts of external financing would fail, as had the traditional recipe of monetary and financial restrictions with minimal amounts of payments support.

463. To achieve an improvement would require interdependence to be so managed as to yield positive rather than negative results. The onus rested on the shoulders of the major market economies. The time had come for them to orient their policies to stimulate expansion, to bring real interest rates down to affordable levels, to adopt more realistic policies regarding the size and conditionality of financial flows to developing countries, and to open up their markets. In this context, the critical problems of the least developed countries and of the African countries should be addressed through the full, effective and expeditious implementation of the Substantial New Programme of Action and the United Nations Programme of Action for African Economic Recovery and Development (1986-1990) respectively.

464. The continued stagnation of the developing economies and the debt difficulties that accompanied it were not in the interest of either the banks and the merchants or the industrialists and workers of industrialized countries. A revival of growth and development was essential to the overall health of the world economy. Such a revival would not come from following the present track. The present approach was not the only alternative. The opportunity to embark on a new, more pragmatic approach had opened itself now that the major market economies were coming around to recognizing that the prevailing wisdom was leading the world economy to a dead end. That was an opportunity that if seized could bring prosperity to all.

465. The representative of the United States of America stated that his delegation had in the past often used the opportunity offered by the regular session of the Board to present a critical view of UNCTAD and its work programmes, not to weaken UNCTAD but in an effort to strengthen it. His delegation hoped to see UNCTAD reach its full potential to contribute to the economic advancement of the developing nations and was committed to seeing a productive, effective and meaningful UNCTAD.

466. He believed that the efforts to strengthen the organization had not been fruitless. For a while there had been periods of major disappointment in viewing the work and policies of UNCTAD. Under the present leadership UNCTAD had shown important signs of beginning to pull away from some of the dogma that had long dominated its development policy and that had been a source of contention among many developed and developing country members. UNCTAD today appeared to be reaching forward to play a more determined and constructive role in the development dialogue. Increasingly, there seemed to be a recognition that the international economic forces that bound together the fates of nations left little room for the harmful rhetoric of the 1960s and 1970s; a growing realism was at long last beginning to find its way into the North/South dialogues. Perhaps, finally, the international community was beginning to face up to development problems squarely and honestly as it must if there were to be any hope of resolving them.

467. He pointed out a number of positive steps taken by UNCTAD, among which was the welcome improvement in the quality of the Trade and Development Reports of the last two years. His delegation's general views of the Report were adequately reflected in the Group B statement. However, it believed that the Report could have focused less on macro-economic theory dealing with industrialized nations and concentrated more on those structural problems impeding developing country growth. He expressed the wish that other UNCTAD documentation would display the same degree of clarity and professionalism asin the Trade and Development Report. He criticized document TD/B/1103 - "Trade relations among countries having different economic and social systems" - and other documents prepared for agenda item 6 as presenting a one-sided, unbalanced prescription for development while seeking to excuse the communist countries of Eastern Europe for their failure to contribute in any meaningful way to the economic well-being of the developing countries.

468. He spoke of a revolution going on that was altering the world's balance of economic forces. There was a tangible awakening of economic thought in this new era of advancing technologies and changing markets. UNCTAD stood at a crossroad in this revolution. It could remain tied to the State ideology and rhetoric of its past or it could move ahead creatively, as many developing countries had done. The revolution under way reflected a major and important shift in thinking on economic development. There was new and widespread scepticism in most quarters about statist solutions, excessive central planning, and the ability of Governments to interfere productively in the market place. This new scepticism and growing economic wisdom was not culture-bound. Everywhere - in Western Europe, East Asia, Latin America and Africa - there were movements to decentralize and deregulate, to denationalize industries and to encourage individual initiative in an effort to reduce regulations that inhibited growth and to enlarge the scope of single producers and consumers to interact freely in the open market. This new thinking, this willingness to look for realistic solutions to economic problems, had been demonstrated in the leadership and perception of the African delegations during the special session on Africa the previous spring in the United Nations General Assembly. The success of this new thinking was manifested in the growth rates in non-communist East and South East Asia of around 6 per cent in 1985, while the rest of the developing world had averaged only 1.6 per cent. The people who had continued to prosper in the last decade had shared certain characteristics. They worked, saved, invested and exported. Above all, their Governments encouraged their creative energies to flourish. This new thinking explained equally the extraordinary efforts under way in China. By no coincidence, the creativity which served as the engine for this economic development emerged from societies which encouraged entrepreneurship, innovation and experiment and which had encouraged productive resources to flow freely across borders. These societies had grasped the plain fact that the source of economic vitality lay in individual initiative and not in the State or in some magic international mechanism.

469. The United States stood ready to help those developing countries that were attempting to help themselves. It made sense to provide multilateral or bilateral assistance only if there were a real chance that it would be used effectively and efficiently. In this regard, the disparity in growth rates among developing countries was disturbing. He asked what UNCTAD had done over the last 20 years to awaken its developing members to the lessons being learned by some. It would appear that while some developing nations were

quietly going their own way and exploiting a dynamic world economy to advance their own economies, others might have been misled by UNCTAD's advocacy of tired, worn-out, statist schemes as a panacea for developing nations' economic problems.

470. He thought that UNCTAD could play a positive and useful role in a rapidly changing and dynamic world economy. UNCTAD had made some efforts to grasp leadership in the area of economic development over the past three years. UNCTAD's efforts to consult widely, to debate theories and to solicit inputs from capitals had not been lost on the United States delegation. He took note of the interest with which the entrepreneurship seminars organized by the United States Mission in Geneva had been received and the support given to these meetings by the secretariat. He regretted, however, that these efforts were too often overwhelmed by sterile initiatives, such as the work on new and renewable sources of energies of the Transfer of Technology Division. To date the results of UNCTAD's transfer of technology work had been largely irrelevant to meaningful development and it was simply unacceptable to support such marginal activity in a period of excruciatingly tight budgets.

471. The road to economic development lay not in a series of resolutions calling for actions that were impossible to implement, that did not have the support of those nations being asked to implement them and that in any event had no relationship to the economic realities of the world economy. This approach had proven itself bankrupt since the beginning of UNCTAD. It was the height of self-deception to confuse putative international agreements with development success. Energies must be directed instead to work together to identify and eliminate those policies and actions which impeded economic growth and individual creativity. Economies must be opened up to the influence of competitiveness, and resources must be used more effectively. Policies that could encourage productive domestic and foreign investments must be identified. None of these efforts could truly be meaningful unless a growing and open international market place that facilitated the goals of exports and global economic exchange was assured, and most importantly, unless nations were willing to make the hard domestic political decision - decisions being made throughout Africa and key countries in Latin America - to put into place meaningful economic and political reforms designed to correct the errors of the past and to lay the groundwork for a vibrant and flexible economy. This was the challenge of the future and this was where he hoped to see UNCTAD demonstrate the capacity for leadership it now possessed. He asked if UNCTAD VII would lead to four more years of empty discussion or if it would play a major role in helping the developing world to harness the human and natural resources that were essential to growth in this competitive world.

472. In concluding, he pointed out that the current reform effort of the United Nations was clear evidence that business could no longer be conducted in the casual, often inefficient and unproductive manner of the past. The resources were no longer there to permit that sort of approach. There was now an opportunity to breathe new life into UNCTAD, with new ideas, better debate and more imaginative research, all of which could be result-oriented. How the member countries and the UNCTAD secretariat respond would make all the difference.

473. The representative of Iraq said that the current session had assumed increased importance since it would result in a decision on the agenda, venue and date of UNCTAD VII. This should restore confidence in international economic co-operation, which had received setbacks in the first half of the 1980s as a result of the practices of a certain number of developed market-economy countries.

474. Recent years, and 1986 itself, had witnessed some disturbances in the limited interdependence already existing between trade and finance. Growth in the world economy could be achieved with the participation of development countries in particular. OECD, IMF and the World Bank were all very optimistic, believing that the decline in oil and other commodity prices would give considerable impetus to recovery. These sources assumed that inflation would probably stand at 3 per cent on average and that this would cause a decline in export prices from developed countries while real interest rates would fall and the cost of borrowing follow suit. This had proved not to be the case, and economic policies in a number of countries had been changed in ways contrary to the spirit of international co-operation.

475. The delegation of Iraq had studied the Trade and Development Report 1986 and the Director's introductory statement. The problem of the Report was, as previously, that it did not present the facts in a comprehensive and precise manner. In most of its sections it tended to strike a political balance in its presentation and evaluation of the measures taken by the developed market-economy countries. He did not agree with the Report that deflation in the world economy was a result of the measures taken to reduce inflation in developed countries. Inflation was still there; it had increased as a result of the measures taken to lower the dollar exchange rate in September 1985. As regards interest rates, they had declined nominally but not in real terms. Hence the crisis continued.

476. Other points which were not clearly tackled were the effects of the decline in the prices of primary commodities, including oil, on development in developing countries and growth in the world economy in general. It was regrettable that the report claimed that the number of countries benefiting from the decline in oil prices was substantially greater than the number of those adversely affected. This conclusion was surprising since the report did not take into account the overall benefits obtained by developing countries as a result of the fact that a large number of them obtained good prices for their exports, as recognized elsewhere by the report itself. His delegation therefore wished that future Reports would concentrate on important issues relating to the interdependence between trade and development problems. The emphasis should be on the consequences of the measures and policies followed by developed market-economy countries on the prices of raw materials and oil and the comparison of them with prices of manufactures exported by developed countries.

477. In this regard it would be easy to evaluate the strength and timing of all deflationary tendencies prevailing in developed countries and to predict their effect on the growth in the world economy. He also thought that the growth rate of the world economy would not increase as a result of the decline in oil and other primary commodity prices. Indeed growth rates were now experiencing a decline possibly similar to the crisis of the 1930s. However, he agreed with the Report that the deflationary forces in developed market-economy countries were the main threat to growth and that the financial

and adjustment problems of energy-exporting countries were acute. Since no improvement in the external environment of developing countries was being experienced, another year of the Third United Nations Development Decade would be lost. Problems of interdependence could not be solved unilaterally by developed countries. Policies should be devised by all countries, big and small, in this regard.

478. The International Year of Peace was nearing its end yet no achievements had been made in this regard. United Nations efforts to promote growth were bound to be futile unless peace prevailed. The Gulf region had been suffering since 4 September 1980 from a destructive war in which tens of thousands of people had lost their lives and many economic establishments had been destroyed.

479. Iraq called for a comprehensive peace and an immediate ceasefire and was ready to end the armed conflict by peaceful means, thus ensuring the proper climate for development and welfare. He also called on all countries to shoulder their responsibilities and express their political will to end the Gulf war, thus enabling the countries in the region to play their role in economic development.

480. The representative of Bangladesh highlighted some of the striking features of the world crisis which called for immediate and concerted action by the international community: (a) the growth of the world economy, after a 4.2 per cent rate of growth in 1984, had resumed the downward trend which had prevailed in the period 1980-1984; (b) over the years increasing integration of the world economies had made the effectiveness of domestic policies of developing countries depend critically on improvement in their external environment; (c) developing countries had suffered large losses from the fall in commodity prices which had led to a deterioration in their terms of trade and deceleration in the volume and value of their exports. At the same time there was practically no progress in the implementation of the Integrated Programme for Commodities, and the Common Fund had not yet been brought into operation due to the lack of international support. The difficulties resulting from the inadequacy of funds available from the IMF Compensatory Financing Facility and other sources continued to affect adversely the capacity of commodity-exporting countries to revitalize growth and development. No progress had been made in the establishment of a complementary facility to compensate fully the export earning shortfalls of developing countries; (d) the open multilateral trading system had come under severe strain, with increasing protectionism throughout the developed world mainly aimed at exports of developing countries; (e) the external liquidity squeeze on the developing countries resulting from their heavy indebtedness and tight monetary policies in industrialized countries threatened the whole spectrum of their financing and payments arrangements. ODA had declined in real terms and any relief measures, mostly on an ad hoc basis, were negligible, while little concrete action had been taken as regards accompanying measures to promote long-term growth in developing countries; (f) the economic difficulties of least developed countries had been further exacerbated by the developments in the external environment, the shrinking resource flows and inadequate relief measures despite the adoption of domestic policy measures.

481. While he agreed with most of the views expressed regarding the implications of the policies being pursued and for the need for immediate and concerted action by the international community, his delegation would stress the adoption of the following specific measures: (a) immediate action for the full and effective implementation of the Integrated Programme for Commodities, with particular attention to be given to making the Common Fund for Commodities operational without any further loss of time; (b) immediate action for the standstill and roll-back of protectionist barriers to trade; further liberalization and gradual elimination of all such barriers by developed countries; broadening of the forthcoming multilateral trade negotiations to cover all areas of importance to developing countries, including, among others, textiles and clothing, tropical products and agricultural commodities; immediate attention to full and effective implementation of Conference resolution 159 (VI); (c) increased flow of financial resources from developed to developing countries, with special attention to be given to increasing ODA and other concessional flows; adoption by developed countries of a time-bound programme for reaching the target of ODA contained in the International Development Strategy; (d) adoption of concrete and concerted measures for effective and expeditious implementation of the SNPA for the least developed countries.

482. Concluding, he said that all countries should reaffirm their determination to make all efforts to find a lasting solution to the world economic crisis and to undertake a concerted action programme to that end.

483. The representative of Turkey said that macro-economic trends, structural adjustment, trade, debt and finance for development were issues which demonstrated the organic link between national economies and their interaction with the external economic environment.

484. During the past year, the decline in interest rates, the drop in oil prices and more realistic exchange rates had to some extent improved the prospects for the global economy. Enhanced policy co-ordination among major industrialized countries reflected a new spirit to tackle the systemic problems.

485. Despite these developments, external debt, growing protectionism and depressed commodity prices continued to pose difficulties for the international economy. The existence of deflationary pressures and financial disturbances had eroded the capacity of the international financial system to boost trade and sustain development. The cost of adjustment for some developing countries had been striking. Faster growth should be an integral part of an international strategy on debt. In this connection, he recalled the target of doubling the flow of development finance recently proposed by the United Nations Committee for Development Planning. He added that the prospects for the revival of global growth would depend critically on the macro-economic policies pursued by the industrialized countries.

486. There was an urgent need to promote an international economic environment which would back up the process of development and to take interrelated action in the fields of finance for development, trade and commodities. In this context, the upcoming GATT Ministerial Meeting for launching a new round of multilateral trade negotiations took on a wider significance.

487. Turkey expected a new round to produce a more credible trading system in which there should be substantially greater trade liberalization in all sectors, leading to the expansion of world trade and creating conditions in which access of developing countries' exports to the markets of developed countries would be enlarged.

488. Given the weakness in commodity markets and the dramatic decline in real prices and earnings for agricultural as well as mineral commodities, urgent measures ought to be instituted to rescue the commodity economy, including wider and more effective producer/consumer co-operation on the one hand and a sharper focusing on the development aspects of the question on the other. For this purpose, the Integrated Programme for Commodities and the individual commodity agreements should be made more effective. The new agreements on olive oil and cocoa and the increased functioning of the Tropical Timber Agreement were positive steps in the right direction. These agreements needed to be complemented by international action to remove measures distorting trade in commodities and to achieve export earnings stability together with the processing and diversification of products in commodity-dependent economies. Identification and solution of commodity problems should be in the forefront of discussions at UNCTAD VII. The Conference should contribute to the establishment of an international economic environment conducive to bringing growth and dynamism back to the world economy and it should represent a joint effort at attempting to agree on and to set in motion effective measures oriented towards resolving the urgent needs of developing countries.

489. The agenda of UNCTAD VII should be formulated with a view to concentrating more effectively on key issues which would underscore the relationship of development problems with the global economic context. In this regard, the agenda should cover interrelated issues in the areas of finance for development, commodities and international trade, along with special attention to the needs of the LDCs.

490. The representative of Algeria said that the proximity of UNCTAD VII should encourage the Board to display more responsibility and determination. Preparations for the Conference were taking place in an economic environment characterized by a crisis, unprecendented since the 1930s, which had particularly affected developing countries. This dramatic situation constituted a real challenge to the international community, in particular to international economic organizations. Now was the time for action.

491. The international trade system was facing grave difficulties and satisfied none of its principal actors. Developing countries, whose fundamental interests were largely overlooked in this system, had, more than any others, reasons to be dissatisfied. The rules and discipline of the system were no longer respected. His delegation was rather sceptical concerning the new round of trade negotiations in GATT, as such a forum might well favour trade aspects to the prejudice of other aspects of development. It was worrying to see that it was at the very time when the virtues of trade liberalization were being expounded that the Multifibre Agreement had been renewed for five years and that its restrictive aspects had been strengthened. The limits of pursuing international action only in the trade area had made clear the need for a more integrated approach which would also include monetary and financial aspects. In this regard, he stressed that the international payment crisis was far from having received appropriate treatment, in particular as far as the debt of developing countries was

concerned. Together with the Trade and Development Report 1986, he thought that, if in the new strategy on this matter the need for a revival of growth had been recognized, so far the new approach had "laid emphasis on the role of domestic policies perceived within a narrow framework, and had given inadequate attention to the improvement needed in financial availabilities, interest rates and trade conditions".

492. Trade liberalization and the reform of the international monetary system were meaningless if the problem posed by the continuous fall of commodity prices was not solved. While the developed country exporters had managed to protect their revenues, that was not the case for developing countries, for which commodities often constituted the main, if not the only, source of external revenues. Up to now, excluding the Integrated Programme for Commodities which was still not applied, no solution to this problem had been found. Regarding problems raised by the collapse of oil prices, he stressed that a number of serious studies recognized that an excessively low price for oil would curb the development of alternative sources of energy, contained the seeds of a real energy crisis, and aggravated the economic difficulties of oil exporters, in particular by diminishing their import capacities and their debt-servicing capabilities. The fall of oil prices, besides, led to sharply increased net financial transfers from the South to the North, while those very transfers were believed to be a serious threat to the development of developing countries.

493. The interdependence of international trade, financial, monetary and commodity-related issues logically led to a global approach designed to deal with them in their interactions. This justified, once more, the appropriateness and validity of the proposal for global negotiations made by the Non-Aligned Movement to the General Assembly some years previously.

494. The Algerian delegation hoped UNCTAD VII would be a step in that direction. In this regard, the Board's main goal at the present session was the adoption of an agenda for the Conference and of decisions on all the other matters necessary for good preparation of the Conference. It was clear that the decisions taken would depend, in the final analysis, on the political willingness of member States and of their desire to give a new impetus to the organization to make it contribute efficiently to solving the problems of the developing world.

495. The representative of Japan said that the growing recognition of the unprecendented degree of interdependence made it imperative for developed and developing countries to co-operate in a coherent manner. Sustained growth in industrialized countries was clearly a most important factor for all countries to secure growth and prosperity. Economic policies in industrialized countries had resulted in lowering inflation and interest rates; exchange rates had come to better reflect fundamental economic conditions. The seven major industrialized countries at the Tokyo Summit had expressed their intention to further strengthen policy co-ordination. At the same time, it should be stressed that developing countries were also responsible for strengthening international co-operation and better management of their national economies.

496. Referring to the Trade and Development Report 1986, he said that there had been explicit consensus at successive economic summits in recent years on the importance of sustained non-inflationary growth. The Japanese Government was maximizing its efforts to expand domestic demand, even though Japan continued to face a large budget deficit. The tremors that had shaken the world economy in the late 1970s and early 1980s had forced substantial changes in countries at all stages of development. For many countries, the first half of the 1980s had been a period of adjustment to changing international economic conditions. Some countries, developed or developing, had managed better than others to maintain macro-economic stability, implementing policies to respond to the changing world economy. Japan believed, as the Tokyo Summit Declaration stated, in the need to implement effective structural adjustment in all countries across the whole range of economic activities to promote growth, employment and the integration of domestic economies into the world economy.

497. The continued depression of commodity markets caused by structural change of the world economy necessitated diversification of production in a longer-term perspective; international co-operation should support such efforts. Structural adjustment should be pursued by developed countries too. Japan had decided on "The Outline of Procedures for Structural Adjustment" that focused - in a medium- and long-term perspective - on expansion of domestic demand, transformation of industrial structure, encouraging imports of manufactured goods, promotion of direct investment abroad, and improved fiscal and monetary management. The Government of Japan was also continuing its efforts to improve access to its domestic market.

498. The representative of Japan also said that the launching of the new Round of Multilateral Trade Negotiations in Punta del Este was crucial for maintaining and strengthening the open multilateral trading system which was a key to an expanding world economy. Japan was ready along with other industrial countries to eliminate tariffs on industrial products in the course of the new round.

499. The problem of indebtedness should never be viewed as an independent financial issue, but should be perceived as an issue having a close bearing on medium- and long-term policy objectives of trade and development of the countries concerned. Japan believed in a case-by-case approach to the solution of the debt problem. The World Bank and the IMF had emphasized that a lasting solution to the debt problem required not only adjustments and sustained growth in developing countries, but also policies in industrialized countries directed towards the creation of a favourable environment. Japan had seen some progress in the development of an international debt strategy on the basis of the Baker Plan and in the co-ordinated reduction of interest rates. It reaffirmed its readiness to contribute to easing the debt problem.

500. Procurement of adequate financial resources and their optimum use were crucial to sustain the development process in developing countries. Domestic resources had been playing central roles, and such resources should be mobilized to the maximal extent in developing countries. External resources could only be channelled to those countries where serious internal efforts were being made. ODA was of particular importance for the least developed countries, and Japan intended to increase its ODA within the framework of the third medium-term target in the years to come. It welcomed the establishment of the Structural Adjustment Facility (SAF) within the IMF and strongly

supported an early Eighth Replenishment of the International Development Association (IDA). On the other hand, the creation of a sound environment for direct foreign investment and the achievement of a good credit standing in developing countries depended primarily on policies and measures pursued in those countries.

501. As the Secretary-General of UNCTAD had pointed out, the current session was the last opportunity for member States to take action pertaining to the provisional agenda, place, date, and duration of UNCTAD VII. At the same time, it should not be forgotten that the success of the Conference depended heavily on the preparations henceforth. Japan considered that the Board should take a step to demonstrate a genuine degree of cohesion and understanding among member Governments, thus contributing to the start of a constructive preparatory process.

502. The representative of the United Republic of Tanzania agreed with the Secretary-General's expression of concern at the disconcerting prospects for the process of development.

503. The Multifibre Agreement (MFA) in its new form was more restrictive and it further aggravated the prevailing defects in the international economic situation. The United Republic of Tanzania, as a least developed country, would be discouraged by the new MFA in its efforts to become a successful producer and significant exporter of textiles.

504. Domestic policies of the industrialized countries were geared towards avoidance of timely and adequate adjustment of their industrial structures in fields in which developing countries had comparative advantage as well as legitimate aspirations for a sustained organic industrialization programme. If processed commodities became stifled in a chronic manner, efforts for structural adjustment in developing countries would be frustrated. By the same token, the prospects for indebted developing countries to be able to meet their obligations as well as to sustain their development would be impaired.

505. The Baker proposals could only be meaningful if they were given timely and adequate substance in the form of development funds for the highly indebted as well as the less developed countries. The industrialized economies had to undertake their own structural adjustment and support necessary reform of the international monetary and financial system. Specifically, adequate resources had to be made available to the African countries to enable them to begin to redress the historically imposed handicaps on their development. Industrialized countries had been historically advantaged in that they had been able to develop organically over an incomparably more congenial timeframe than most of the developing countries since their formation as nation-States.

506. If the restrictions on options imposed on developing countries were not reversed, institutions like the IMF and the World Bank would need to be endowed with resources several times larger than were at their disposal now in order to be meaningful in terms of the needs of the developing economies.

507. His delegation fully supported the observations made by the representatives of Yugoslavia, China and India. If far-sighted and enlightened political leadership was brought to play on the impending MTN round in GATT and on UNCTAD VII, there might be grounds for hope in what otherwise might be a further darkening of the threatening clouds overhanging the world economy.

508. The representative of the Islamic Republic of Iran said that the Trade and Development Report 1986 constituted an effective critique of the monetarist policies pursued by developed market-economy countries and their devastating impact on the developing countries.

509. Grave difficulties and problems continued to beset the world economy, and particularly developing countries. As pointed out in the Report, the economies of large parts of the developing world were still registering regression rather than advance, and the plight of the least developed countries was most alarming.

510. According to the Trade and Developement Report 1986, between 1980 and 1984, 85 developing countries experienced a growth rate of GDP per capita of less than 2 per cent and 70 of these had a growth rate of GDP per capita of zero and less than zero per cent.

511. Indebtedness, the decline of commodity prices, protectionism and various other problems had led to this aggravation of the economic situation of developing countries and had seriously jeopardized the international trading system. In some parts of the world agricultural products, including food, were burned to maintain their artificially high prices, while people in other parts of the world were starving.

512. Indebtedness continued to be a destabilizing factor in world trade. Interest payments on existing debts pre-empted an unduly large share of developing countries' export earnings. Tackling debt problems required new initiatives to relieve the severe pressure of the debt burden of developing countries.

513. The continued decline of commodity prices, including oil prices, had further aggravated the economic situation of developing countries, especially oil-exporting countries. Commodity prices had fallen to their lowest ever level in real terms.

514. Trends towards protectionism had continued and even increased, and developing countries suffered most as they were the main victims. The harmful effects of protectionist measures had been felt in all sectors and had proved particularly damaging to more dynamic export sectors. Reversing protectionist trends and ending discriminatory practices remained one of the important objectives to be pursued.

515. Resolving the severe problems facing the world economy needed a common effort on the part of all countries. Interdependence necessitated dialogue and co-operation. Unfortunately, as a result of negative attitudes and lack of political will on the part of industrialized countries, North-South dialogue had virtually ceased. Meanwhile, no positive action had been taken with regard to the establishment of a new international economic order.

516. It was regrettable that at a time when there was more than ever a need for a multilateral approach and firm belief in interdependence, the world was witnessing the abandonment of multilateralism in favour of a bilateral approach to resolve world economic problems.

517. In view of the prevailing situation, his delegation attached the utmost importance to UNCTAD VII as an opportunity to find global solutions to the current economic problems, particularly those of developing countries. This opportunity should be constructively used for taking concrete decisions aimed at resolving prevailing problems. As stated by the spokesman for the Group of 77, the current session could see the beginning of a renewed faith in multilateral economic diplomacy and in the relevance of UNCTAD as the main international forum for negotiations.

518. With regard to the economic situation, he reaffirmed the position of the Islamic Republic of Iran that the only hope for better economic conditions for the people of Palestine was to be found in the Palestinians returning to their homeland, the liberation of all occupied territories and the creation of an independent State enjoying full sovereignty and based on the freedom of the people of Palestine and the ideals of the Palestinian revolution, freed from the presence of the occupying régime of Quds.

519. A representative had made allegations in relation to the war imposed on the Islamic Republic of Iran and had drawn certain conclusions. In spite of the peace-loving sentiments that had been so eloquently expressed, no one was ignorant of the fact that on 22 September 1980, a war of aggression had been started against the Islamic Republic of Iran by an invasion of the Iranian borders along a distance of 1,352 kilometres, penetrating at certain points as deeply as 80 kilometres into Iranian territory.

520. This aggression had led to thousands of lives being lost and the destruction of many towns and villages. When the aggressor forces had been militarily dealt a decisive blow, the aggressor, changing tactics and employing propaganda strategies, had sought to project an image of a peace-seeker. Facts and realities again showed that the aggressor's craving for peace was nothing but a ploy to misguide world public opinion.

521. How could the aggressor régime pretend to be a peace-seeker while it was engaged in the massive and widespread use of chemical weapons in contradiction to all humanitarian laws and international conventions. Several United Nations documents, including the reports of two missions despatched by the Secretary-General (documents S/16433 and S/17911), and the Declaration of Security Council Presidents (documents S/16454, and S/17130 and S/17932), all clearly confirmed the use of chemical weapons by the aggressor and its lack of respect for humanitarian laws and principles. While the aggressor publicly paid lip-service to peace, its fighter bombers and long-range artillery missiles ceaselessly poured a deluge of fire on innocent civilians in the residential areas of Iran's cities.

522. The representative of the Union of Soviet Socialist Republics associated his delegation with the position of the spokesman for Group D on relevant items. He expressed great appreciation for the introductory statement of the Secretary-General of UNCTAD, the positive restructuring of the secretariat's work, the quality of the documentation and, especially, the Trade and Development Report 1986.

523. He shared the view of the non-aligned summit participants that the experience of the first half of the United Nations Development Decade had been disappointing, as was borne out by the Trade and Development Report and statements by some delegations at the current session. If the unifying theme for UNCTAD VII of revitalization of development, growth and international trade was agreed upon, serious lessons should be drawn from the experience of the first half of the 1980s.

524. The world of the 1980s, in spite of its complexities and contradictions, was becoming more interdependent and integrated. The Trade and Development Report 1986 provided well-grounded proof of the negative impact of macro-economic decisions of the major economies which disregarded the imperatives of interdependence. It was becoming more evident that the solution of acute contemporary problems, such as the cessation of the arms race or overcoming the development crisis, needed collective co-ordinated actions on a global scale. All of this increased the importance of the instruments of multilateral co-operation such as UNCTAD and its forthcoming seventh session.

525. He emphasized that the increase in interdependence came about through conflicts which sometimes assumed chaotic forms. It was particularly manifest in West-South relations as well as in West-West and East-West relations. The developing countries had been subject to exploitation by transnational monopolies and had suffered increasing losses in economic ties with developed market-economy countries. According to ECOSOC resolution 1986/56, the net transfer of resources due to falling commodity prices, including oil, had reached $100 billion. To this figure should be added interest payments of $54 billion and profit remittances of $13 billion in 1985 alone. The net overflow of resources from Latin America exceeded $100 billion during the last four years.

526. He stressed that it was clear that the old economic order was inconsistent with increasing interdependence. It was not an accident that questions of strengthening trust in international economic relations, the democratization of the latter, the abandonment of coercive measures and other such questions were under discussion in the 1980s. That was why the USSR had proposed the idea of a comprehensive system of international security, one central element of which should be international economic security. Such a system would structure the process of interdependence and permit the realization of concrete multilateral measures aimed at improving world economic conditions.

527. The idea of international economic security should be realized through the machinery of multilateral co-operation, and especially through UNCTAD. The question of ensuring world economic security and, in particular, of predictability and dependablity in world trade, restructuring international economic relations in the light of the principles of new international economic order, just solutions to the question of debt and the exclusion of discrimination from international practices were all matters falling within UNCTAD's competence. The organization should make a major contribution to the preparation of the United Nations documentation on the main principles of comprehensive international economic security.

528. An important lesson to be derived from the 1980s concerned the implementation of the neo-conservative models of economic policy pursued by market-economy countries. As was shown in the 1986 Report, these models embodied monetary and credit restrictions, fiscal reforms in favour of high income groups and business communities, the downgrading of social programmes, the denationalization of the public sector, "free play of market forces", and other elements. The only "gain" of that policy - lower inflation - had been achieved largely at the expense of developing countries. All other indicators had proved to be worse than before. A realistic evaluation of these points was needed in order to let UNCTAD VII adopt growth-oriented recommendations for the world economy. Moreover, the neo-conservative principles imposed on developing countries through the IMF and other creditors and aid agencies should be stopped.

529. He also stressed the link between the unprecedented growth of expenditures on arms and the urgent socio-economic problems, including unemployment, the development crisis and debt problems, referring to the initiatives of socialist countries in this respect. These initiatives opened up accessible ways for the release of resources for peaceful needs, including the solution of the problem of underdevelopment. The Soviet Union backed its appeals by concrete deeds. For more than a year already the Soviet nuclear test sites had remained silent. The Soviet Union had unilaterally stopped nuclear tests. On 18 August 1986, Mikhail Gorbachev, General Secretary of the Central Committee of the CPSU, had declared the prolongation of the unilateral moratorium on nuclear tests until 1 January 1987. This mature and highly responsible decision of the Soviet leadership convincingly proved the seriousness and sincerity of the Soviet nuclear disarmament programme and its appeals for a new policy - for a policy of realism, peace and co-operation. Thus a great contribution was being made to the common efforts to ensure that the year 1986, declared by the United Nations as the Year of Peace, would remain in history as such. UNCTAD was in a position to contribute to the implementation of the principle of disarmament for development. It should be one of the important duties of UNCTAD to review these questions.

530. Referring to the question of the trading system, he expressed concern at the unpredictability of the trading environment and the erosion of the trading system. The foreign trade of the USSR was also subject to the impact of negative processes in world trade. Far-reaching measures had recently been undertaken to restructure the Soviet foreign trade system. These included improvements in management, direct access by different ministries and enterprises to foreign trade activities, and the implementation of new forms of economic relations - such as joint enterprises and co-production and direct links for enterprises with their foreign counterparts. The success of internally induced changes would also be dependent on the external trading environment. With those considerations in mind, the USSR had expressed its interest in participating in the new round of multilateral trade negotiations in GATT. In UNCTAD, the trade interests of the socialist countries should also be represented equally alongside those of other countries.

531. The necessary conditions had been created for a constructive and businesslike discussion in Sessional Committee II on trade between countries having different economic and social systems. This could permit the future elaboration of a positive programme of co-operation in that area. New approaches to the further development of trade between countries having different systems were needed.

532. He expressed support for the activities of UNCTAD in the field of commodities and considered the decisions of the relevant committee, the finalizing of negotiations on cocoa and the creation of negotiation bodies for tropical timber and nickel as a good basis for constructive discussion of the commodities item at UNCTAD VII.

533. Finally, he stressed that debt and capital outflow from developing countries remained the acute problems of the international financial and monetary system. Principles governing debt renegotiation should not hamper development and become instruments of political interference. UNCTAD should participate actively in the work to be undertaken to fulfil the provisions of ECOSOC resolution 1986/56 on the capital outflow from developing countries.

534. The representative of Nicaragua said that earlier speakers had referred to the improvement of the economic situation in the major industrialized countries after the prolonged recession, suggesting that a decade of inflation, unemployment and stagnation which had started in 1973 had been left behind to make room for an economic recovery. However, the industrialized countries had not been able to solve the unemployment problem and had turned to protectionism. The fight against inflation had generated deflation. The developing countries had had to cope with the serious problems resulting from the economic stagnation, such as the fall in prices of primary commodities, the too heavy burden of the external debt and the severe limitations on access to markets, which were putting a brake on the process of development and were causing serious pressures on their social and political systems.

535. The future was awaited with impatience but also with pessimism, especially when it was examined within the context of the situation faced by each of the third world countries, or when it was analysed in the light of attitudes that persisted in certain powerful countries. For instance, the present Government of the United States, neglecting its obligations, was not willing to accept the decision of the highest judicial authority of the United Nations system, the International Court of Justice. This decision had condemned that country for aggression against Nicaragua, a small developing and poor country.

536. The challenge that had to be confronted was how to restructure international economic relations and how to co-ordinate economic policies in order to revitalize growth and the development of the people.

537. An open international trade system could be one of the keys to sustained growth. Trade opened wide markets to the enterprises of all countries, diffused technology and innovations and improved productivity levels. However, the restrictive measures adopted especially by developed countries were cancelling the comparative advantages of developing countries. Furthermore, some countries were subsidizing their industries and their agricultural sector in order to cope with the competition from developing countries. The GATT norms were more and more disregarded by the large and powerful countries to the disadvantage of the small and underdeveloped countries.

538. What could be expected from the new round of negotiations that would be launched in Punta del Este? Illegal reprisals of an economic character were being taken for political reasons, such as the total trade embargo against Nicaragua imposed by the present Government of the United States of America, in clear violation of the principles that prevailed in international trade.

539. The increased financial interdependency required a greater international co-ordination of macro-economic policies, with the obligation to avoid exchange rate instability and to promote sustained economic growth. The decisions that were taken at the national level should take into account international economic consequences and should therefore be submitted more effectively to international consultation.

540. In recent years a stagnation in the flow of ODA had been observed. For most developing countries, trade alone, even without restrictions, would not supply sufficient resources to meet their requirements. The poorest countries, especially those of the sub-Saharan region, urgently needed a considerable increase in finance under favourable conditions.

541. The Board should evaluate the world economic situation and should analyse economic problems in an integrated way, taking into account the interdependence between countries. UNCTAD was considered to be a unique forum to do this. The problems considered required in the near future durable solutions, which would attack their structural roots.

542. The representative of the Ukrainian SSR underlined the fact that the debt crisis had ceased to be a matter of concern for debtors alone and had now become a threat to the fundamental basis of international economic relations.

543. In an environment of increasing economic difficulties, the developing countries were becoming a source of financing for the developed capitalist States through the mechanism of capital outflow. Moreover, the debt crisis had been used as a leverage for political pressure on developing countries. Particularly negative roles in that respect were played by the IMF and the IBRD. The adjustment or stabilization programmes which they imposed on developing countries were aimed primarily at cutting the public sector. A just solution to debt problems required the creation of conditions preserving economic security of debtors.

544. He stressed the importance of convening a world conference on the problems of economic security, where all the acute problems of international economic relations, including questions of international monetary and financial reform, could be discussed. He strongly supported the lowering of interest rates, stabilizing exchange rates, abandonment of protectionism, restructuring the international, monetary and financial system and regulating the prices of commodities. He said that a positive outcome to the above-mentioned changes might take place only if real progress in disarmament could be achieved.

545. The representative of Indonesia reviewed major developments in 1985, pointing out that the world economy had in many respects worsened, the development crisis had been prolonged and international trade and financial relations had become more strained. In this situation the developing countries had suffered the most.

546. He regretted the failure at the last session of the Economic and Social Council to reach agreed conclusions on the subject of interrelated problems of trade, development finance and the international monetary system. This obliged him to reiterate his concern at world developments, which continued

adversely to affect developing countries. He hoped, therefore, that the next GATT Ministerial Meeting could achieve a breakthrough in restoring the international trading system under the GATT principles, as well as securing additional benefits for the international trade of developing countries.

547. Despite international recognition of the seriousness of the debt crisis, the necessary steps to promote a lasting solution had not been taken and there was no political commitment to this end. The development process in an increasing number of developing countries was undermined by the excessive debt service burden.

548. The dramatic collapse of primary commodities since 1980 had seriously weakened the economies of developing countries with its adverse impact on imports, investment plans and indebtedness. The fruitful efforts of all partners in reaching an agreement on cocoa was nevertheless a source of satisfaction and he hoped that this success would stimulate other commodity negotiations such as the renegotiation of the International Natural Rubber Agreement (INRA) next October.

549. As to the role of UNCTAD during the present slowdown in world growth, as the main international forum for negotiations it was capable of orienting multilateral action. Because UNCTAD VII could become the most important event in reviving North-South dialogue in 1987, he subscribed fully to the view that the current session should finalize arrangements for it. International trade, commodities and the debt of the developing countries should be treated as key issues, and action-oriented measures should be adopted when reviewing trade and development problems in UNCTAD VII. The stabilization of income of commodity producers and proper organization of markets should be centrally placed on the agenda. Measures to conclude international instruments under the Integrated Programme for Commodities and individual commodity agreements should be taken urgently. Dismantling protectionism and strengthening the multilateral trading system should also be a priority area. In this connection he said it was essential (a) to complete the unfinished business from the Tokyo Round, (b) to implement the commitments undertaken by developed countries at the 1982 GATT Ministerial Meeting, and (c) to ensure that the next round of multilateral trade negotiations reflected the interests of developing countries.

550. The forthcoming General Assembly session should provide an important opportunity for the international community to address the debt problem in a more comprehensive manner in which (a) the policy of adjustment with growth would be accepted, (b) the interrelationships of the issues of debt, trade, commodities, money and finance would be provided for and (c) the principle of shared responsibility would be accepted. The reactivation of financial and monetary co-operation was also necessary and involved (a) the commitment to reach the agreed target for ODA and its provision on an assured, continuous and predictable basis; (b) the reversal of net overflows of finance from developing countries; (c) the continuation of measures to lower interest rates and (d) the search for ways to reverse the contraction in private lending.

551. With regard to monetary reform, it was crucial to establish exchange rate stability and to secure adequate liquidity. In this connection it was essential that countries respond positively to the initiative to convene an international conference on money and finance for development.

552. The representative of Czechoslovakia welcomed the Trade and Development Report, 1986, which analysed the state of the world economy and put forward some solutions to present problems. However, some important elements such as the negative impact of TNC activities and the economic aspects of the arms race were not mentioned in the Report.

553. He stressed that the consequences of cyclical structural changes in 1980-1982 had not been overcome and that the continuing downturn in economic activity in market-economy countries adversely affected the economies of developing countries through falling commodity prices, protectionist barriers towards their exports, debt overhang and continuing capital outflow and resulted in very low or negative growth rates. The debt problems could not be solved in an environment of high interest rates, an unstable monetary system, protectionism, the practices of TNCs and capital outflow. This was why there was a need for a just and equitable restructuring of international economic relations based on principles of non-discrimination, non-interference in internal affairs and other provisions of the Charter of Economic Rights and Duties of States and the Declaration on the New International Economic Order.

554. In the recent past the majority of States had been economically insecure. In his opinion the General Assembly of the United Nations and the United Nations specialized agencies should pay due attention to the problems of economic security and should support the idea of a world conference on questions of economic security. In this context, UNCTAD should also contribute considerably to this process.

555. Successful development of international economic co-operation required an atmosphere of peace and mutual confidence among States. In this connection he stressed the negative impact of the arms race on socio-economic development in that it diverted resources from it. He believed that part of the military expenditure of capitalist countries was financed by the exploitation of the developing countries. The postponement of the Paris Conference on the interdependence of development and disarmament reflected the obstructionist policies of some developed market-economy countries.

556. Finally, he noted that the economic difficulties of the market economies had brought a proliferation of protectionism and discriminatory policies and that non-observance of basic principles and rules of international trade had become a normal practice of some countries. The international community should struggle against those violations of the rules of international relations.

557. The representative of the Byelorussian Soviet Socialist Republic praised the Trade and Development Report, 1986 as a good starting point for a discussion of interdependent problems of world trade and agreed with its evaluation of the link between depression, the development crisis, protectionism and weaknesses of the monetary and financial system. The outflow of capital from developing countries was still growing. At the same time the monetary and financial questions were highly dependant on the will of a few developed capitalist countries. He shared the Report's concern with the bleak world growth performance and the necessity for measures to be taken to restore growth and development.

558. He drew attention to the socialist countries' proposals for improving international economic relations, strengthening confidence-building, and ensuring economic security. The interdependence among countries and problems, including trade, money and finance, debt, flow of resources, commodities and others, demonstrated the need to have secure, just and predictable international economic relations. The main obstacle to that was the arms race. In that connection, he recalled the Soviet disarmament initiatives and especially the Soviet statement of 18 August 1986 prolonging the nuclear test moratorium. Huge resources could be saved for peaceful productive purposes if those initiatives were accepted. The current year was the International Year of Peace and was the right time to begin the creation of an all-embracing system of international security.

559. Finally, he referred to the information contained in the Report concerning the different growth dynamics of market-economy and socialist countries. He recalled that the socialist countries of Eastern Europe had had a growth rate of 3.4 per cent in 1980-1984 while that in developed market-economy countries had been -1.9 per cent.

560. The representative of Afghanistan supported the statement made on behalf of the Group of 77 on the basis of a detailed analysis of the international economic situation. The current Board session was of great importance, and a decisive phase in the preparation of UNCTAD VII. It was a unique opportunity to face realities, to assume responsibilities, to express opinions on pressing issues, to establish an agenda which would lead to the action required to deal with the gravity of the situation and to contribute to making UNCTAD VII a historic event in international affairs and to give a new impetus to development and international economic co-operation.

561. The international economic situation continued to be characterized by instability and uncertainty. A number of phenomena were having profound consequences on the whole international community - the reduction in the standards of living and real incomes in developing countries, the critical level of indebtedness in those countries, the dramatic collapse of commodity prices, the strengthening of protectionist tendencies, the decrease in the flows of resources to developing countries, the poor state of the international trade system, the inadequacy of the international monetary system, fiscal deficits and high interest rates, the highly variable exchange rates, embargos, unequal and uneven recovery in industrial countries, the lack of confidence in international economic relations, and the sterile arms race which was a huge waste of resources which could be efficiently used for development, co-operation and economic and social progress.

562. The fragile economic recovery, so loudly trumpeted, had not stimulated international economic growth. The economic situation of developing countries actually continued to deteriorate and the hope that recovery would eliminate the difficulties of the developing world had been proved wrong. Most developing countries were suffering persistent stagnation or even a decrease in their income per capita, and a large part of their populations remained below the poverty threshold. The least developed countries were the most affected, and their growth rate had been nil, and even negative in some cases, these last years. Hence, the gap between developed and developing countries had continued to grow.

563. It was obvious that the present international economic order was no longer able to ensure continuous and harmonious development and provide appropriate solutions to economic problems. The world economy was no longer viable if it did not consider the interests of all countries by giving to each one an equal right to participate in decisions on its functioning. It was hence time to take the necessary measures, in compliance with the very constructive proposals of the Group of 77 and of the Non-Aligned Movement, to stimulate the revival of the world economy. Effective negotiations should begin immediately on the whole set of problems regarding development with a view to eliminating underdevelopment and bringing about the new international economic order that would bring economic security to all. UNCTAD ought to work in that direction and actively engage in strengthening trust and mutual understanding between States.

564. The trading picture for developing countries had deteriorated due to the increasing resort to protectionism. Some developed market-economy countries continued to strengthen protectionist and discriminatory measures against developing countries, in violation of the rules and principles agreed multilaterally. It was essential that resolution 159 (VI) be fully implemented and that the preferential treatment of developing countries in the trade area be more widely and appropriately applied, without discrimination. Protectionist measures should be abolished and restrictive trade practices should also be suppressed, while there should be increased access to developed countries' markets for the exports of developing countries. This would help developing countries to participate in international trade and lessen their debt problem, while giving them the opportunity to enjoy growth and economic stability.

565. The alarming weaknesses of the present international monetary and financial system had been demonstrated by the events of past years. Structural changes in trade required a complementary reform of the monetary and financial system. In this regard, the proposal of the Non-Aligned Countries to convene an international conference, open to all, on monetary issues, development financing and reform of the system was of great interest and showed that developing countries were ready to adopt a constructive approach based on co-operation.

566. The external debt of developing countries was becoming increasingly heavier and constituted one of the most serious problems because of the suffering it was causing in those countries. The measures to be taken should aim at immediately alleviating the debt service of developing countries, at finding integrated and long-term solutions to the debt problem, and, above all, at setting up new credit policies and new conditions of co-operation between debtor and creditor countries in order to strengthen the payment capability and the financial autonomy of developing countries. Reform of the international monetary system should be accompanied by the adoption of corresponding policies to increase aid by developed countries and international organizations to developing countries under conditions that were compatible with their economic growth and development needs. It was regrettable that, at the very time when developing countries needed substantial financial flows, these flows were decreasing and official development assistance was falling in real terms.

567. Given the alarming situation faced by the least developed countries, particularly the land-locked ones, his delegation thought that concerted and intensified efforts were required now if the effective implementation of a new substantial programme of action for those countries was to be accelerated. It was hence essential that the international community step up its efforts to reach the goals fixed in the Substantial New Programme of Action, provide financial assistance to the least developed countries in amounts and conditions corresponding to their short and long-term needs, and also deal urgently with the debt of those countries. International co-operation should proceed on the basis of equality and respect for State sovereignty, with a view to stimulating economic growth and reaching the final goal of peace, justice and socio-economic development for all. He considered that safeguarding peace and ending the waste of considerable resources due to the arms race were necessary prerequisites to development and international co-operation and to the creation of a favourable and harmonious international climate, upon which the solution of many global problems depended, including restructuring of international economic relations and the establishment of a new international economic order.

568. The representative of Ghana commended the Secretary-General and the UNCTAD secretariat for the Trade and Development Report 1986, which clearly demonstrated the interdependence amongst countries, and the interrelationships among the monetary, financial and trading systems. Such interdependence and interrelation imposed on the international community the obligation to pay due attention to the international consequences of domestic and national policies. The recovery in the developed countries had made only limited progress, and this only at the cost of a slowdown in growth in both developed and developing countries. The recovery had not touched most parts of the third world. Many developing countries remained in desperate straits; some faced economic collapse. The theory that recovery in the North would necessarily lead to recovery in the South was questionable. On the positive side, however, there had been no rekindling of inflation in the major countries, although control of inflation was being bought at an unacceptably high price of unemployment.

569. At the heart of the continuing sluggishness and uncertainty was the waning commitment to multilateralism - at the level of policy and of the machinery of international co-operation. The policies of the major countries remained largely unco-ordinated and often inconsistent with their declarations. Exchange rates continued to be misaligned and volatile, and protectionism was in increasing danger of sliding into trade wars. For many developing countries the prices of their primary products continued to be weak.

570. Against the background of weak commodity prices, Ghana was gratified at the conclusion of the fourth International Cocoa Agreement, whose negotiation had been rendered long and arduous by sliding price levels in commodity markets in general. The flexibility in the fourth Agreement in many ways could mark the beginning of a new generation of commodity agreements. The Agreement brought within the grasp of producers the stability and predictability in their export earnings on which all planning for sustained economic and social development, including structural adjustment, should rest. The linkage of such stability and predictability with the credit rating of producing countries, their borrowing and debt servicing capacity and strategy was obvious.

571. Aid remained stagnant and multilateral institutions were being denied the resources required for an adequate response to the critical problems which beset developing countries. In most developing countries, including Ghana, structural adjustment had brought forth valiant domestic efforts, but such adjustment was exacting increasing sacrifices on the part of countries whose people were either already at the margin of existence or enduring prolonged declines in living standards.

572. In general, the flow of financial resources to the developing countries had stagnated or declined. Furthermore, the slow disbursement of aid commitments had eroded the positive impact which such assistance had been expected to make. In Ghana, disbursements as a proportion of undisbursed balances and new commitments had amounted to 35 per cent in 1984 and 31 per cent in 1985. In recognition of the need to eliminate the factors which militated against speedy disbursements, a number of internal arrangements had been put in place. But these arrangements should be matched by the development partners through further simplification of their own procedures and processes and through an expansion in quick-disbursing programme and commodity aid in preference to project aid. The United Nations Programme of Action for African Economic Recovery and Development 1986-1990, under which Africa reiterated its primary responsibility for its own development, spelt out the action which the international community should take to improve the quality and modality of external assistance.

573. The international community had for some time been aware of the harsh and crushing weight of the debt burden for many developing countries. Earlier in 1986 the special session of the General Assembly on the critical economic situation in Africa had recognized the magnitude of Africa's debt and the severe and restrictive burden which it had placed on African countries. Some developing countries, faced with the stark reality of the implications for their development of heavy debt repayments, had felt themselves obliged to opt unequivocally for economic development and social stability, with all the consequences in financial flows - consequences which could ultimately undermine the option they had taken. Concrete measures should be taken to alleviate the debilitating and adverse effects of debt servicing on the development of the developing countries. Such measures should include an expansion in the size and coverage of the Baker Plan, a reduction in real interest rates and the speedy implementation of debt relief measures which had been agreed upon multilaterally.

574. In reiterating these measures, Ghana recognized the disaster which default could bring, not only to the defaulting countries themselves but also to the world's banking system, whose stability remained fragile, resting as it did on the ability of debtor developing countries to generate trade surpluses in an international trading system marked and marred by protectionism. Poorer countries whose debt burden threatened to crush nobody but themselves received scant or no attention at all.

575. The evident rigidities in the structure of international relations needed to be eliminated if multilateralism was to be reinvigorated. There was much to suggest that the search for the sources of flexibility should begin not with ideological abstractions but with the practical needs and aspirations of people and with mutual interests. Thus the question of interdependence would have to be given greater attention than hitherto. Ghana would therefore want the rich and valuable debate on interdependence to be translated into action-oriented conclusions shared by all.

576. The current session represented an important phase in the preparations for UNCTAD VII and should take timely and appropriate decisions on the arrangements. These decisions could not be delayed any longer; with flexibility on all sides, they were within reach.

577. The representative of Bulgaria said that Bulgaria's economy, whose ratio of exports to national income exceeded 50 per cent, was exposed to a whole range of negative effects resulting from the unsatisfactory state of the world economy. The Government was therefore keenly interested in multilateral efforts to solve the problems in international economic relations. In spite of some positive signs, the instability and tensions in the fields of trade, money and finance were continuing. In 1985, there had been a significant decline in the expansion of international trade, a slowdown of growth rates and high levels of unemployment in most OECD countries. However, many interrelated problems seriously impeded the development process in the developing world. The Trade and Development Report 1986 provided a useful analysis in this respect.

578. The current state of the international economic environment forced the developing countries to curtail imports and development programmes and to service an enormous external debt. While the fall in oil prices might benefit the oil-importing countries in the short term, it would hardly improve the prospects for a revival of development and growth; it could even further aggravate the debt problems of many countries.

579. The world economic situation was also influenced by the overall political setting. It was vital for development to ensure peace and security and to halt the arms race, and it was important to activate UNCTAD's work in this area. The instability and unpredictability in the fields of trade, money and finance and the slowdown of growth in the world economy called more than ever before for urgent mutual efforts to work out a system of international economic security that would ensure equal treatment and make the international economic environment more predictable and secure. The importance of this concept had been duly recognized by the international community in General Assembly resolution 40/173. UNCTAD had an important role to play in achieving such a system.

580. Joint efforts were required to settle the debt problem. An essential pre-condition for its solution was to halt the arms race and to devote the resources thus released to economic development. Steps should also be taken further to reduce interest rates, to stabilize exchange rates, to exclude the possibilities of exploiting financial difficulties for political and economic coercion, and to restructure the international financial and monetary system. There was a need to tackle the question of the outflow of financial resources from developing countries.

581. The viability and dependability of the trading system had been seriously jeopardized by actions in breach of its basic principles, and the ability of the system to resolve problems had been undermined. Protectionist measures which had eroded the trading system had to be reversed. The new multilateral trade negotiations in GATT provided an important opportunity to remedy the situation. The delegation of Bulgaria believed that these negotiations would be open for all interested countries demonstrating, in practice, attachment to the recommendations contained in Conference resolution 159 (VI) which, inter alia, called for the trading system to be given a genuinely universal

character. The issue of the international trading system should be regularly reviewed in UNCTAD. The interlinkages between all flows of trade and the importance of each one of them for the expansion of world trade could not be ignored. She hoped that the work in Sessional Committee II on ways to further intensify trade relations among countries having different economic and social systems would prepare the ground for the adoption of concrete recommendations at UNCTAD VII.

582. Bulgaria had always been ready to develop trade and economic relations with all countries, irrespective of their economic system or level of development, and its five-year plan provided broad opportunities in this respect. The growth rate of the Bulgarian economy in the first five years of the 1980s had been quite satisfactory, but there had been a slowdown in growth the previous year, when national income had increased by a modest 1.8 per cent. Nevertheless, trade with developing countries had increased by 9.9 per cent, with imports from these countries expanding by 34 per cent. Assistance to developing countries in 1985 had been equal to 1.35 per cent of Bulgaria's net material product.

583. The representative of Cuba said that the past five years had been characterized by a major crisis of the capitalist economy, followed by a weak and unequally spread recovery, which had been reflected more in an expansion of trade than in production. The rhythm of growth had slowed down in 1985, with international trade falling by 3 per cent and world GNP by 1 per cent. According to the World Bank, the value of third world debt reschedulings had reached the unprecedented level of $93 billion, while the number of reschedulings had increased from 9 in 1982 to 22 in 1985.

584. Efforts to expand investment and imports and to restore growth had been impaired by the heavy debt service obligations, the fall in export prices and an insufficient inflow of capital. Between 1981 and 1985, long-term net capital flows to Latin American countries had fallen by 60 per cent. Fresh lending of the international banking system to developing countries had also been significantly reduced. According to the IMF, debt service of capital-importing developing countries had absorbed 23 per cent of export earnings between 1983 and 1985, compared to 13 per cent in 1973/1974, while in Latin America alone this ratio had even reached 44 per cent. Other negative factors had been the violent fluctuations in the exchange rates, the maintenance of hard conditions of credit, particularly interest rates, increased protectionism, especially with respect to exports from developing countries, and an increasing deterioration of the terms of trade.

585. In the 1986 Report of the UNCTAD secretariat, deflation had been presented as the most important feature of the world economy in the decade of the 1980s. The 1970s had been a period of stagflation, with ample liquidity and scarcity of raw materials, while the 1980s had been characterized by excess of raw materials and by a sharp reduction of international liquidity. However, the present international economic order, which was unjust and lacked equity, was the fundamental cause of the present economic difficulties, and not stagflation or deflation.

586. In spite of this critical observation, he agreed that the Report contained a series of positive elements, particularly the description of several factors that had caused the present economic problems and the proposals it put forward to overcome these problems.

587. The analysis of the crisis could not be complete without considering the link between disarmament and development. The acceleration of the arms race had been accompanied by a diversion of enormous human and material resources towards the production of instruments of destruction. If these resources were dedicated to development and international economic co-operation, the crisis would be solved to a large extent. At the beginning of the Third Development Decade, the world community had entered a period of accelerated growth in defence expenditure, while international economic co-operation had declined and economic growth had been reduced. In 1980, more than $500 billion had been spent on military activities, equivalent to 6 per cent of world production in that year, or some 19 times the total ODA of the OECD countries and a little more than the total value of fixed capital formation of all developing countries together. Military expenditure had been higher than public expenditure on health and education. At present the total expenditure had even reached the amount of $850 billion.

588. At the meeting of the Non-Aligned States presently being held in Harare, the President of the State Council of Cuba, Fidel Castro, had stated that "since the Second World War, i.e. in a period of hardly 40 years, military expenditure has amounted to several times more than the amount that would have been required to bring all countries of the Third World out of their status of underdevelopment. One would no longer have to count the hundreds and thousands of millions of persons on this planet that are hungry, undernourished, illiterate, sick and unemployed and the enormous external debt of our countries, of almost $1,000 billion, which is equivalent to only 5.8 per cent of arms expenditure in the period after the war, would not exist". The link between disarmament and development could not be neglected.

589. Subsidies had become an increasingly disturbing factor. One was watching a war between the EEC and the United States which was also damaging the exports of developing countries.

590. Protectionism was combined with the practice of subsidization. At least half of Latin America's exports were affected by restrictions in the major markets, and this situation was worsening through the selfish and abusive policy of subsidies.

591. In this situation, it had been suggested that a new round of commercial negotiations be launched in GATT where the United States, supported by developed capitalist countries, intended to reformulate the international trade system with the purpose of expanding their economies and enabling their transnational corporations, practically without any control, to trade their technology, services and telecommunications, etc. They would thereby impose an unjust order on the developing countries while at the same time they themselves flouted with impunity the specific objectives of the General Agreement.

592. It was obvious that, if measures of economic coercion which were being used for political reasons were not eliminated, there could not be a favourable climate for economic co-operation. The present problems were becoming more serious in this environment of arbitrariness and unilateral decisions to the benefit of a few and the detriment of the majority. Good examples of this bad policy were the economic embargo against Nicaragua and

the recent suspension of aid to Zimbabwe. Another example was, of course, the embargo against Cuba that had now lasted for more than a quarter of a century, and which had been reinforced recently by new measures adopted by the United States administration.

593. UNCTAD VII would be an important forum in which the many component problems of the present international economic crisis could be examined and in which the inequity in international economic relations could be addressed.

594. The representative of the Sudan endorsed the statement of the Group of 77 on items 3 and 4. The Sudan, which was a least developed country, was suffering from complex economic and social circumstances and harsh natural conditions including drought and desertification. The problem had been aggravated by the need to care for and feed large numbers of refugees. The Sudan had undergone positive political changes which should enable it to seriously tackle these problems.

595. The economic situation of the Sudan was characterized as follows: (a) the growth rate of national income had been -2.0 per cent per annum from 1977-1982 and -2.5 per cent in the period 1982-1984. Population growth had been 2.9 per cent, hence per capita income had fallen over these periods by 1 per cent per annum; (b) aggregate expenditures exceeded GDP; (c) the imports to GDP ratio had grown from 12.6 per cent in 1972-1977 to 23 per cent in 1977-1982, while the export ratio had declined from 14.1 per cent to 9.6 per cent in the same period. Thus, dependence on external assistance had increased and external indebtedness amounted to $13.3 billion. Debt service amounted to three times export earnings.

596. A national economic conference to study ways and means for resolving the outstanding problems had been held and had adopted a strategy in respect of the following issues: (a) definition of priorities among production and services sectors; (b) questions of external finance and external economic relations; (c) the role of the public and private sectors; (d) the balance between prices and incomes and wealth distribution among regions; and (e) the search for political means to accomplish these economic objectives. This had resulted in the adoption of a salvation plan with short- and long-term objectives. The Government was committed to this plan, especially its economic dimension. Suitable domestic conditions had been established but development was still being hindered by the burden of debt service.

597. He asked that external debt be frozen and said his Government was ready to negotiate with its creditors on this matter. The mid-term review of SNPA had referred to this and had also called for debt relief in accordance with Trade and Development Board resolution 165 (S-IX). ODA should be increased and debt rescheduling should take the long-term economic development of debtors into account.

598. Donor countries and international organizations should assist debtor countries to improve their administrative and technical capacity to manage their debt. There should be a greater degree of commitment on the part of the international community to implement the resolutions of the General Assembly's special session on Africa. The recent call by the African Summit for an international conference on debt in Africa should receive the required attention and there should be a special item on the special problems of the LDCs at UNCTAD VII.

599. The representative of Romania expressed full support for the Group of 77 statements on agenda items 3 and 4.

600. He noted that the current session was taking place in conditions characterized by persistent economic crisis and instability in the world economy. Economic recovery remained weak, unequal and fragile. The development crisis had lengthened and worsened, and he stressed a number of factors detrimental to the efforts made by developing countries towards economic and social progress.

601. He recalled that the Secretary-General of the United Nations had stated that developing countries growth prospects were, as a whole, less than 50 per cent of the projections in the international strategy. It was increasingly obvious that a lasting and effective recovery in developed countries and balanced and stable economic growth in the world would not be possible without a revival of development in developing countries, through the creation of conditions enabling them to play a more dynamic role in the world economy.

602. The international trade and financial systems were subjected to tensions which had lessened their efficiency. The erosion of the international trade system was reflected in a number of symptoms: the application of measures incompatible with the rules and principles of GATT; an increasing use of managed trade mechanisms, including a control on the quantities, prices and often origins of imports; the erosion of the generalized system of preferences, not only because of the reduction of the preferential target margins obtained through successive trade negotiations but also as a result of "gradation"; an increasing use of bilateral agreements as opposed to multilateral ones, and the use of trade measures for non-economic reasons. The difficulties of the monetary and financial system were reflected in the debt crisis, high real interest rates and highly variable exchange rates. The world was witnessing a worrying trend aimed at eroding the system and mechanisms of multilateral economic co-operation. This trend could also be found in UNCTAD and was reflected in the difficulties encountered in agreeing on an agenda for UNCTAD VII.

603. In his view world economic problems could not be solved by one or another group of States, but by the participation of all countries within the United Nations. These were global problems; they had global solutions. Romania attached importance to organizing an international conference within the United Nations, with the participation of all, with a view to globally solving the problems of the underdeveloped and contributing to the establishment of a new international economic order and of co-operation based on justice and equity. Such a conference ought to be organized on the basis of the principles followed in the case of the law of the sea and should last as long as necessary to draw up and present proposals to the General Assembly.

604. The most serious problem facing the developing countries was their external debt. It was obvious that the approach based on ad hoc measures on a case-by-case basis had not yielded satisfactory results. Debt problems were far from being solved, but they needed an urgent solution to avoid an explosion which could jeopardize world economic stability, peace, and friendly understanding between States. The debt problem was not only economic but also political. Hence, Romania and its President thought that this problem could be solved only through a global economic as well as political approach with

the participation of all countries, the International Monetary Fund, other international financial organizations and major banks. Romania proposed a set of measures, namely: (i) the cancellation of debt for those countries with a national per capita income below 500-600 dollars; (ii) the reduction by 50 per cent of the debt of the other developing countries; (iii) long-term rescheduling of their remaining debt over 10 to 15 years, at reduced or zero interest; (iv) the setting of a ceiling of 10 per cent of export revenues for debt servicing; (v) the establishment of a maximum of 3-5 per cent for interest rates on old credits; the sums paid above their limit ought to be considered as capital repayment and be deducted from the debt owed; (vi) the granting of new credits to developing countries at interest rates of 5 per cent maximum.

605. When granting new credits to developing countries, it was necessary to take into account the requirements of their development programmes and their priorities in the improvement of their national resources, among which agriculture played an important role. It should be possible for those countries to repay their borrowings in kind with the goods produced by the original investment.

606. The Romanian delegation also felt that the United Nations, including UNCTAD, should play a more active role in the search for a global solution to the debt problem. It therefore proposed the creation, within the United Nations, of an organ charged with examining the debt problem and finding concrete solutions to it.

607. He further stressed that it was important substantially to increase financial aid to developing countries, in particular, through a reduction in defence spending. His delegation had already proposed a 25 per cent reduction in defence spending up to 1990 and a 50 per cent reduction to the year 2000, which would permit a considerably higher level of aid to developing countries. As to UNCTAD, it should devote increased attention to the study of the economic and trade aspects of disarmament.

608. Romania paid great attention to the problems of international trade. He laid stress on the elimination of protectionist measures and the increased access of developing countries exports to developed countries markets. It was necessary, at the same time, that all countries should refrain from applying restrictions and economic sanctions for political reasons and adopt measures which would strengthen international economic security and increase confidence in international relations.

609. His delegation considered that preference-giving countries should improve their system of generalized preferences and ensure that discriminatory measures were not introduced. Such measures included those applied under the so-called gradation principle.

610. Romania was in favour of the new round of trade negotiations under the auspices of GATT, with a view to reviving the international trade system, halting protectionism and resuming trade liberalization. It was essential in this regard to see that developing countries received special, more favourable treatment on a non-discriminatory basis. It was also necessary to the credibility of the new round of negotiations that all parties to GATT pledge themselves not to introduce new restrictions contrary to the GATT rules and to eliminate on a non-reciprocal basis the existing restrictions which were not

compatible with the General Agreement. UNCTAD could also contribute to the reaching of a consensus on a restructuring, on an equitable basis, of international trade. Stressing the need for a strong economic co-operation between developing countries, he noted that the launching in May 1986 in Brazilia of the first round of negotiations to set up a global system of trade preferences between developing countries had demonstrated their willingness to promote their mutual trade relations. The recent high-level meeting of the Group of 77 on economic co-operation between developing countries, in Cairo, would give new impetus to that co-operation, which should be supported by developed countries.

611. Concluding, he observed that UNCTAD VII would provide an opportunity to take concrete measures to overcome the economic crisis, establish the new international economic order and strengthen UNCTAD.

612. The representative of Nigeria stated that world economic development was facing a severe crisis, citing the Trade and Development Report, 1986 to support this. The free interplay of market forces was being manipulated to the disadvantage of developing countries, many of which were registering economic stagnation or decline, with falling levels of per capita output and consumption, as well as depressed levels of investment. The crisis in the world commodity market continued to have serious consequences for the primary commodity exporters in developing countries and for the global economy as a whole. The situation had been compounded by the crushing debt burden, coupled with an external liquidity squeeze on debtor countries.

613. The economic recovery witnessed in the developed market-economy countries following the recession of the early 1980s had brought no general roll-back of protectionism, despite commitments made in GATT and UNCTAD. Over the past years, there had continually been new departures from the norms, rules and regulations governing the multilateral trading system. The adoption by developed countries of new restrictive trade measures further eroded the system. He therefore called for greater liberalization of world trade based on an open and non-discriminatory trading system.

614. On the debt issue, he said that Nigeria was one of the countries that had taken unilateral but unavoidable pragmatic measures to bring their debt-service payments more closely in line with their debt-service capacities. Before the dramatic decline in the price of oil, debt service payments of interest and principal had accounted for more than 44 per cent of the country's foreign exchange earnings. Debt repayments were wiping out funds that had been meant for vital development needs. It had become necessary to limit the proportion of export earnings to be devoted to debt service to 30 per cent. If that action had not been taken, perhaps by now debt service would have consumed virtually all foreign exchange earnings. With the recent precipitous fall in the price of oil, it was no longer certain whether the 30 per cent target remained realistic or attainable.

615. In view of the world economic crisis, his Government had taken other adjustment measures to stabilize the economy. It had declared a 15-month period of National Economic Emergency and launched a national economic recovery programme. This programme was designed to re-align aggregate domestic expenditure and production patterns in order to minimize dependence

on imports, enhance and boost the non-oil export base and return the economy to the path of steady, balanced and self-sustaining growth. Import licenses were currently being issued on the basis of certain specific priority areas. In addition, a re-organized system of counter-trade was under consideration as a short-term measure to aid the programme.

616. The Government also continued to pursue structural adjustment policies aimed at diversifying the economy. The new policy on food and agriculture focused on the accelerated drive towards self-sufficiency in production and processing of a number of agricultural products. Efforts were being intensified to reduce import dependence on food, expand product capacity and provide raw materials for agro-allied industries. The initiation and completion of basic industries with great multiplier effects, such as petro-chemicals and flat steel, were under serious consideration. Industries were encouraged to embark on joint research programmes that would enable them to utilize local raw materials. A National Office of Industrial Property had been created to implement some of these policies.

617. He noted with satisfaction that UNCTAD had been making substantial progress in an effort to encourage and promote international economic co-operation in a number of areas. The adoption of the Convention on Conditions for Registration of Ships, the Olive Oil Agreement, and the International Cocoa Agreement under the auspices of UNCTAD were examples. The International Tropical Timber Agreement had also been activated recently. Furthermore, one of the two remaining requirements for the entry into force of the Common Fund for Commodities had now been fulfilled, following the ratification of the Agreement by 90 countries. He requested the Secretary-General of UNCTAD to intensify his consultations so that the other requirement - that countries ratifying the Agreement represent two-thirds of its directly contributed capital - would be met, thus bringing the Fund into force as early as possible.

618. In the area of South/South Co-operation, the launching of the Round of the GSTP Negotiations in Brasilia in 1986 was a noteworthy achievement and a sure way of promoting South/South trade.

619. In conclusion, he urged member States to exploit the present environment of political goodwill to reach agreement on arrangements for UNCTAD VII, which offered hope for developing countries that the prevailing disequilibrium in the global economic system would be redressed. The Nigerian delegation also supported the initiative to launch a new round of multilateral trade negotiations in the hope that it would lead to greater liberalization of world trade, which should pave the way to a global prosperity from which all countries, both developed and developing, could meaningfully benefit.

620. The representative of Argentina said that the structural adjustment policies applied by many developing countries had reached their maximum limit. Serious social tensions were being created and it was not possible to expect greater efforts from those bearing the burden of the economic crisis. The developed countries, on the other hand, had not implemented adjustment policies, particularly in sectors such as agriculture where the world market was being distorted as a result of their inefficiency.

621. The indiscriminate protectionist measures and subsidies employed by the industrialized countries prevented the achievement of price stability, undermined the effective deployment of resources, prevented diversification and access to markets, diminished achievements in respect of greater productivity, and limited the growth of national economies. Concepts such as "sensitive products", "voluntary export restraints", "market disruption" and "low cost imports" had been evolved in order to apply restrictions against developing countries in disregard of all international commercial regulations.

622. All this was confirmed by the latest world trade figures. These showed that the imports of developing countries had fallen by 6 per cent in 1985 and their exports by 5 per cent. In addition, their share in world trade had declined, as it had done ever since the beginning of the 1980s.

623. A further serious problem for developing countries was their indebtedness. The Latin American countries were convinced that urgent action was essential to solve the problem before it was too late. There was no official indicator to support the assertion that a way had been found to overcome the serious stagnation affecting them, even though their internal policies had been clearly responsible and they had made concrete proposals at the international level. The problem was not isolated but was part of a general state of affairs which threatened not only national societies but also the stability of the international system.

624. The Director of the Money, Finance and Development Division noted that many speakers, commenting on the Trade and Development Report 1986, had expressed views on particular parts of the analysis and had drawn attention to matters which in their view should have been dealt with in greater detail. All these comments had been carefully noted.

625. There were two issues which he believed were at the core of the central thesis of this year's Report and on which the debate had shown important differences of view. The first related to the question of the impact of the decline in oil prices on levels of expenditure and output in the world economy. The second had to do with the relative roles of demand management and supply-side policies in promoting more rapid growth in the developed market-economy countries.

626. There appeared to be general agreement that the oil price decline so far had had a net negative impact on output in the developed market-economy countries. In their statement, the Group B countries had felt that this negative impact was a temporary phenomenon that would in time be replaced by more positive forces and that, in the long run, the oil price decline would on balance be expansionary, at least for these industrial countries.

627. The ultimate impact of the oil price decline on world expansion and output depended on whether those who gained real income and purchasing power increased their spending more than those who lost purchasing power decreased theirs. The answer depended on a myriad of decisions to be taken by individuals, enterprises and Governments. It did not follow that, because an individual's or country's purchasing power had been increased by the fall in oil prices, its expenditure on investment or consumer goods would go up. Individuals, firms or countries might decide instead to use the windfall to reduce borrowing requirements, reduce levels of indebtedness or build up cash balances. Likewise, it did not follow that because a firm or country had lost

income that its expenditure would go down. It might choose to reduce its cash balances or increase borrowing, thereby sustaining levels of expenditure. The net outcome of such decisions throughout and across economies was virtually impossible to foresee. Therefore, no one could foresee with any degree of certainty when, if ever, the expansionary effect would predominate. The assumption that the overall impact of the oil price decline would shortly be demand-expansionary in developed market-economy countries was therefore a shaky basis on which to formulate policy.

628. It was important to draw appropriate distinctions between medium-term policies and cyclical policies on the one hand, and demand-side and supply-side policies on the other. It was not the case that demand-side policies were inevitably or inherently cyclical in character. Demand management could be the object of a medium-term strategy to the same extent that supply-side policies could. One illustration of this would be, for example, to target a zero structural fiscal balance over the medium term and to stick to that target, year in and year out. The view that demand policies could now be pitched in a more expansionary direction should not to be misunderstood as anti-cyclical in nature, or a call for a return to "fine tuning". What was required was a more fundamental change in stance, designed to avoid over the medium-term fiscal drag on demand creation.

629. In this connection, the secretariat had noted the view in the Group B statement that fiscal and monetary policies in those countries were now roughly neutral. He agreed that the overall stance of fiscal policy was currently restrictive, but as regards monetary policy he did not agree with the view of Group B that the policy stance was now clearly expansionary.

630. There were two indicators of the degree of monetary ease, namely the rate of growth of monetary aggregates and the interest rate. As regards monetary aggregates, it was true that, for some measures of these aggregates, growth had recently exceeded in some countries the upper bounds of the targets that the authorities had set. On the other hand, in those same countries other measures of these aggregates had been well within those bounds and it was hard to argue that one of these definitions of the money supply was more relevant to the evaluation of monetary ease than the other. Thus, the evidence as regards monetary growth was ambiguous.

631. As regards interest rates it was true that nominal rates had fallen steadily during recent months, but real rates of interest had come down much less than nominal rates and for some countries might not have fallen at all. Thus, while there was no doubt that monetary conditions had eased recently, they were best characterized as being less tight than previously but inadequate to counterbalance the restrictive stances of fiscal policy.

632. However, even if monetary and fiscal policy taken together could be viewed as being roughly neutral, the fact remained that the United States fiscal deficit had in all likelihood already begun a process of contraction and was scheduled for further reduction in the period ahead. The main issue addressed in the Report was with regard to the necessary response to that development over the medium term. On this point the Group B analysis was mute.

633. He drew the attention once again to the success that had been achieved by developed market-economy countries in dealing with inflation. In their statement, Group B countries had reported that they had been following a medium-term strategy composed of two stages: first, reducing inflation and budget deficits and second, restoring profit shares and rates of return on capital as the pre-conditions for a recovery in business confidence and restoration of investment and non-inflationary growth. Further, Group B had stated that the second stage had not been adequately dealt with in the Report.

634. There was no question that supply-side factors could have an important bearing on the rate of return on capital, but it was the posture and character of demand management that would have a decisive influence on the return to capital and rate of investment over the short and medium run. The behaviour of major macro-variables, such as the levels and fluctuations of interest rates and exchange rates, influenced the level of profits, the return on investment and the relation of both to investment. But, most importantly, actual and prospective levels of demand were the most important single stimulus to further investment. It was a high and growing level of sales that produced profits and a high return to capital.

635. The continuation of the current overall restrictive policy stance was therefore not conducive to the attainment of the objectives set out by developed market-economy countries for themselves. The objectives of phase II of the medium-term strategy also appeared to require a shift in policy stance. He remained persuaded that the defeat of inflation in developed market-economy countries provided them with a unique opportunity to adjust their own policies towards expansion and more vigorous growth.

636. At the 701st meeting, on 9 September 1986, the President read out his summary and conclusions of the debate on agenda items 3 and 4.

Action by the Board

637. Also at the 701st meeting, the Board decided to annex the summary and conclusions of the President to its report (see annex II below).

Chapter III

SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

(Agenda item 5)

638. At the 701st meeting, on 10 September 1986, the President noted that, in accordance with Board decisions 336 (XXXII) and 337 (XXXII), the Secretary-General of UNCTAD had held consultations on the various issues raised. The Secretary-General of UNCTAD would have wished to make an oral report pursuant to these decisions, but in the interest of saving time, he had circulated his statement which, if the Board agreed, would be incorporated in the report (see annex III, A below).

639. The spokesman for the Group of 77 (United Republic of Tanzania) introduced a draft decision on the provisional agenda, place, date and duration of UNCTAD VII (TD/B/L.812), noting that he was submitting it under rule 45 of the rules of procedure. Accepting its responsibility, representing as it did a substantial membership of the Board, the Group of 77 had thus seen fit to make its due contribution towards enabling the Trade and Development Board to comply with its mandate vis-à-vis the General Assembly. In this connection, he noted that, as a result of the cumulative endeavour on the part of all group co-ordinators, the Secretary-General of UNCTAD and the President of the Board, a formulation for a draft provisional agenda had been put forward by the President informally at an earlier stage in the day. In presenting its present proposal, the Group of 77 had been substantially guided by the earlier compromise proposal of the President.

640. In doing so, the Group of 77 had continued to impose on itself the constraints which it had accepted, in good faith, in the belief that on that path lay the best hope of achieving an agenda that would elicit the support of a large proportion of the membership. At the same time, it firmly believed that monetary questions related to the areas of UNCTAD's concern should not be explicitly omitted from consideration. While, with utmost reluctance, it had been ready to go along with an implied reference to monetary questions in a particular contextual framework, in the present circumstances it believed that it would not be in the interest of UNCTAD and its objectives if monetary questions related to the areas of its competence were not given their due place.

641. In conclusion, he added that the understandings which accompanied the draft provisional agenda, relating to the role of the private sector, the element called "a more predictable and supportive environment", the value of assessment in a realistic framework, the subject of international trade, and the understanding on sub-item (d) related to the least developed countries, would, it was hoped, help considerably to clarify the understanding of the intentions and good faith of the Group of 77.

642. The Secretary-General of UNCTAD said that, over the past weeks, there had been a series of consultations pursuant to the decisions taken by the Board concerning the provisional agenda, as well as the date, place and duration of the seventh session of UNCTAD, as a result of which the areas of convergence had been extended and a meeting of minds had been reached on several points which previously had been in contention. This he believed to

be a considerable achievement and it was recorded in his report (see annex III.A below). At the same time a number of points remained unresolved which, while few in number, touched on a number of fundamental issues which would require a little more time for their resolution. He felt that, if consultations on these issues could be continued and intensified under the leadership of the President of the Board, there was a fair chance that a broad consensus could be reached. He wished therefore to launch a strong appeal to the Group of 77 to agree to defer voting on its draft resolution until the Board resumed its session. His appeal was naturally without prejudice to the sovereign right of any delegation, or group of delegations, to submit draft proposals at any time of their own choosing under the relevant rules of procedure.

643. Were the Board to proceed to a vote at its present meeting, this, in his view, would be a premature departure from the search for consensus on major substantive questions which was part of UNCTAD's tradition. It would bode ill for the work of the Board, have adverse effects on preparations for the Conference, and impair the credibility and image of the organization. Deferring a vote on the resolution would provide time for reflection and consultations.

644. The representative of Mexico, supported by the representative of Venezuela, proposed that the Board adopt draft decision TD/B/L.812 by consensus.

645. The spokesman for Group B (Australia) thanked the Secretary-General of UNCTAD for his report on preparations for UNCTAD VII. While regrettably the achievement of consensus on the subject had eluded the Board at the present stage, his Group would be happy to continue to explore ways and means to arrive at a consensus resolution. UNCTAD was at present at a kind of watershed: 1986 and 1987 would be some of the most important years in recent history as far as multilateral economic and trade negotiations were concerned. Thus, the adoption of a resolution on UNCTAD VII by consensus was of particular importance; UNCTAD at the present stage could not afford to fail.

646. While much of draft decision TD/B/L.812 was familiar, parts had not been discussed, because of the very late tabling, either in his Group or in the consultative process arranged through the Secretary-General of UNCTAD and, later, the President. His Group would therefore request that the Board defer consideration of this resolution, and would give an undertaking to continue consultations as early as feasible, so as to give the negotiating process the best of possible chances.

647. The representative of the Philippines observed that at the previous session of the Board, it had been agreed that decisions would be taken on three key issues: namely, the agenda for UNCTAD VII; its venue; and its duration. The Group of 77 had now presented a text on these issues in compliance with that previous decision. He noted the appeal made by the Secretary-General and expressed surprise that Group B did not express its position on the substance of the Group of 77 proposal. The content of that text could hardly come as a surprise to the spokesman for Group B, and yet he was proposing to defer consideration of it. The Board, in fact, had two

proposals before it. The first proposal, by Mexico, was that TD/B/L.812 be adopted by consensus. The second, by Australia, was that action be deferred on that text. He stated that the parliamentary situation before the Board required the application of the relevant provisions of the rules of procedure.

648. The President, referring to the appeal made earlier by the Secretary-General of UNCTAD, said he wished, in his turn, to make an appeal to the Board to defer taking a decision on this subject at its present meeting and to take it up when it resumed on 3 October 1986. In so doing, he had considered the pledge made by the spokesman for Group B as a serious one, for which he would be accountable in the period ahead. He very much hoped that his appeal would be accepted, in particular by the Group of 77.

649. The representative of Venezuela said that, before the Board came to its decision on the matter under consideration, it would be useful if the spokesman for Group B could indicate the substantive position of his Group on the draft presented by the Group of 77.

650. The spokesman for Group B (Australia) said that, in an endeavour to assist the present proceedings, he would provide an assessment of where the problems lay, noting, however, that he had not been able to discuss the body of the resolution, namely the preamble and the four operative paragraphs, with his Group, and thus must refrain from giving any comment on that part. His Group did, of course, basically agree, subject to final agreement, on the chapeau to paragraph 8. In paragraph 8 (a), the draft referred to "resources for development, including financial, and related monetary questions". Group B did appreciate that UNCTAD had a role to play in aspects of financial and - depending on how one defined it - monetary questions. His Group had, however, always been very careful to acknowledge the primary role of the Washington-based institutions when it came to monetary matters. Thus, there was merit in investigating further the intent of subparagraph 8 (a).

651. In relation to subparagraph 8 (d), concerning the least developed countries, his Group was aware of the major importance of the SNPA to the LDCs. Indeed, his own Group could take no small credit for the existence of the SNPA. However, it was of the view that the interval between the successful mid-term review of 1985 and UNCTAD VII was not sufficient to warrant a further in-depth discussion of the SNPA, which should be left to specialized conferences called precisely for that purpose. Nevertheless, his Group did not object to the idea of discussing the problems and the concerns of the LDCs at UNCTAD VII, whenever this was a relevant point.

652. He added that it was a well-known fact that the economic system in Group B countries was based on the primary role of private enterprise, and that the vast majority of developing countries relied on the private sector and had vigorous private sectors. Some of the socialist countries also had private sectors. Thus his Group felt that the role the private sector could play in development would be a worthwhile subject for UNCTAD VII to discuss.

653. The representative of the United Republic of Tanzania said he believed all representatives at the Board were acting in good faith and trusted that there would be no attempt on the part of anyone to use bilateral means to pressurize any delegation.

654. The representative of Venezuela inquired whether any Group B delegation had any problems with the statement of the spokesman for Group B.

655. In response, the spokesman for Group B (Australia) said he took umbrage at this and observed that his remarks had been made in a helpful spirit and that he wished them to be taken in that spirit.

656. The representative of Venezuela said that he had not intended to cause any embarrassment to the spokesman for Group B. But since, as he himself had said, he had not been able to consult his Group, it would be useful for the Board to know if there were any reactions to his statement. As there appeared to be none, he himself would take it that the spokesman for Group B had fully presented the position of Group B.

657. The representative of Bahrain noted that the Secretary-General of UNCTAD had made a sincere appeal to the Board, as had the President of the Board. He himself completely agreed with those appeals, namely, that the Board should agree to postpone a decision until it resumed on 3 October 1986. Given the late hour, he, as Chairman of the Group of 77, could not meet with his Group to take a unified decision on these appeals. He could only make his own appeal to his brothers and colleagues in his own Group to ask them to consider their responsibilities and to agree to the appeal made by the Secretary-General of UNCTAD and the President.

658. The President, observing that the Board had overrun the time allocated for the current meeting, said that, at the resumption of the session on 3 October 1986, delegations having statements to make would be able to make them at that time. He hoped that intensive consultations would take place in the intervening period to enable the Board to arrive at a consensus agreement when it resumed.

659. At the 702nd meeting, on 3 October 1986, the Secretary-General of UNCTAD presented a report on the consultations he had undertaken since the 701st meeting, on 10 September 1986 (see annex III.B below).

660. At the same meeting, the Board took note with appreciation of the report by the Secretary-General of UNCTAD, as well as of the report on the same subject which he had presented at the 701st meeting, decided that it should be incorporated in the report on the first part of its thirty-third session (see annex III.B below), and requested the Secretary-General to continue his consultations on the outstanding questions referred to in his report, namely the organization of the preparatory process and of the seventh session of the Conference, and to report thereon to the Board at the second part of its thirty-third session.

661. Also at the 702nd meeting the President introduced a draft decision (TD/B/L.815), which contained the provisional agenda for the seventh session of the Conference and related understandings, together with recommendations to the General Assembly on its place and date. He submitted this decision after intensive informal consultations.

662. The representative of the United States of America requested that the Board vote on draft decision TD/B/L.815 and announced his delegation's negative vote on the document.

663. The President asked whether any other decision wished to take up the proposal of the representative of the United States of America. There was none.

Action by the Board

664. At its 702nd meeting, on 3 October 1986, the Board acting on a proposal of the President, adopted draft decision TD/B/L.815 (see Part. I above, decision 341 (XXXIII)). The President directed that the position of the United States delegation, as reflected above, be duly recorded in the report of the Board. Draft decision TD/B/L.812 was withdrawn by its sponsors.

665. The representative of the United States of America said that after long and careful review by the United States authorities, his delegation had found it necessary to call for a vote on TD/B/L.815 and to cast a no vote.

666. The United States had participated in a long and hard effort to develop an agenda that would have held out the expectation that the seventh session of the Conference would seriously tackle the problems of development - an agenda that would have reflected the realities of today's world. His Government was of the view that the document before the Board failed to do this.

667. He wished there to be no mistake concerning the United States action at the current meeting. It was meant to convey its disagreement over the document before the Board. It in no way indicated an abandonment of United States efforts to work with UNCTAD and its members to change positively the course that the organization had followed for the past 20 years. The United States would continue to seek positive change. It would continue to work closely with the secretariat and other delegations to see to it that UNCTAD was not buried under the avalanche of economic change overtaking the contemporary world. It would continue to work for an UNCTAD that was current, credible and conscientious. 4/

668. The representative of Japan, welcoming the adoption of decision 341 (XXXIII), pledged his country's continued support for a meaningful and realistic seventh session of the Conference. In that connection, he wished to register his delegation's position on item II of the understandings incorporated in the decision, which referred to the concept of international economic security. This also had a bearing on General Assembly resolution 40/173 of 17 December 1985, against which Japan had voted. The fact that Japan had now associated itself with the important agenda for the seventh session of the Conference should not be construed as having changed its position with regard to General Assembly resolution 40/173 in any way.

Chapter IV

TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS AND ALL TRADE FLOWS RESULTING THEREFROM

(Agenda item 6)

669. This item was referred to Sessional Committee II for consideration and report.

670. The Chairman said that Sessional Committee II was meeting at a crucial stage in the launching of preparations for UNCTAD VII, at which the trade policy debate would probably include the question of trade and economic relations among countries having different economic and social systems, an issue of importance for international economic co-operation as a whole. It should be borne in mind, however, that the present world economic environment was insecure and that the future course of development of the world economy was hardly predictable. The lack of security and predictability was felt all the more in the area of economic co-operation among countries with different economic and social systems. It was the duty of the Committee to seek ways and means of imparting elements of security, predictability and order into the future development of such co-operation. UNCTAD had a considerable role to play in that effort as a unique forum where the issue of trade and economic co-operation among countries having different economic and social systems was being treated within the context of an indivisible and interdependent world economy.

671. The work of the Committee required a new boost to secure further progress in the area under consideration. It was to be hoped that the Committee's work would pave the way for UNCTAD VII to arrive at a decision that would secure genuine progress in the conduct of trade and economic relations among countries having different economic and social systems within the framework of a secure and predictable international trading system.

Consideration of item 6

672. For its consideration of this item, Sessional Committee II had before it the following documents:

"Trends and policies in trade and economic co-operation among countries having different economic and social systems: report by the UNCTAD secretariat" (TD/B/1103 and Corr.1);

"Trends and policies in trade and economic co-operation among countries having different economic and social systems: report by the UNCTAD secretariat - statistical annex" (TD/B/1103/Add.1);

"Promotion of trade and economic co-operation among countries having different economic and social systems, with particular consideration given to the interests of developing countries: proposals by the UNCTAD secretariat" (TD/B/1104).

673. The Sessional Committee also had available to it the following background documentation:

"Payments arrangements among countries having different economic and social systems" (UNCTAD/ST/TSC/3);

"The Soviet Union in a changing global economic setting: the prospects for trade-oriented growth" (UNCTAD/ST/TSC/4);

"Joint ventures with the participation of enterprises of the socialist countries of Eastern Europe" (UNCTAD/ST/TSC/5);

"Prospects for trade and economic co-operation among countries having different economic and social systems" (UNCTAD/ST/TSC/6);

"Trade and economic co-operation between African countries and socialist countries of Eastern Europe" (UNCTAD/ST/TSC/7).

674. In addition, the Council for Mutual Economic Assistance made available a document entitled "Information on forms and methods of economic, scientific and technological co-operation of the CMEA member countries with developing countries".

675. The Director of the Division for Trade with Socialist Countries, introducing the item, said that, taken over a longer period, trade between countries with different economic and social systems had been one of the dynamic sectors of world trade. However, since the early 1980s, the annual growth of that trade had slowed down considerably under the influence of such factors as the deterioration of the world economic situation, the balance-of-payments adjustment process in the developing countries and some socialist countries, the proliferation of protectionist trends, a decline in confidence and security in international economic relations and the exhaustion in a number of cases of the potentialities of traditional methods of conducting trade and economic relations.

676. Under the present circumstances it was of paramount importance to try to utilize all possible areas of potential and existing mechanisms to counteract adverse trends and to work out and adopt new measures conducive to the expansion and diversification of trade among countries with different economic and social systems. The last Conference resolution on such trade had been adopted more than 10 years previously. All countries and groups of countries should, therefore, make an effort to prepare a new text which might be adopted at the forthcoming UNCTAD VII. The successful expansion of trade and economic relations among countries with different systems could make a decisive contribution to the relaxation of political tensions and create a favourable basis for the development of international co-operation in various fields.

677. The spokesman for the Group of 77 (Sudan) said that policy issues concerning trade and economic relations among countries having different economic and social systems had been an aspect of UNCTAD's work from its inception, and UNCTAD had played a pioneering and constructive role in that field. UNCTAD had made a valuable contribution in providing a forum for discussing East-West as well as East-South trade problems and in promoting and facilitating the adoption by member countries of measures and policies aimed

at developing inter-system trade, with specific attention paid to the trade interests of developing countries. Regarding the preparatory work for UNCTAD VII, the Conference was of great importance due to the unprecedented crisis that had been affecting the world economy since the beginning of the 1980s. The plight of the least developed countries had further worsened and, in some cases, natural disasters had added to the economic crisis. There was an urgent need for structural adjustment in national economies and for innovations aimed at the further expansion and diversification of trade relations, since the current deflationary forces had affected all trade flows, including trade exchanges between developing and socialist countries.

678. With regard to secretariat report TD/B/1103 and Add.1, he noted that overall trade had grown marginally, by less than 1 per cent, due mainly to the decline in the exports from the socialist countries of Eastern Europe to the developing countries, but that imports by the former from the latter had nevertheless registered an increase of about 7 per cent, thereby maintaining their continuous upward trend. The USSR was the leading trading partner of the developing countries among the socialist countries of Eastern Europe, accounting for about 64 per cent of both exports to and imports from developing countries. From the statistical estimates provided by the secretariat, it appeared that the share of the developing countries in the overall trade of the socialist countries had stabilized at around a fifth of the total and that the deficit in the balance of trade of developing countries had registered a decline in 1985, which seemed to be a welcome feature. As for the volume of trade turnover, it continued to be small and not at all commensurate with the economic and trade potential of the two groups of countries. Regarding the composition of exports and imports, there was no significant change. The exports from the socialist countries consisted mainly of manufactured products, while their imports from developing countries were dominated by primary products and semi-manufactures. In the case of the USSR, however, there had been a growing tendency to increase imports of manufactured goods from developing countries, and the share of such goods now stood at 30 per cent.

679. The Group of 77 expressed its appreciation for the five background studies prepared by the UNCTAD secretariat, which contained useful information and covered many aspects of inter-system trade, particularly East-South trade. The Group of 77 was most interested by the UNCTAD secretariat assessment that the socialist countries of Eastern Europe (including the USSR) would seek to increase their imports of manufactured goods from the developing countries through structural adjustments and redeployment of resources.

680. The least developed countries, particularly the African countries among them, deserved special attention and assistance from the socialist countries. In that context, the Group of 77 welcomed the secretariat study on trade and economic co-operation between African countries and socialist countries of Eastern Europe (UNCTAD/ST/TSC/7).

681. He stressed the importance for the East-South economic relationship of economic, technical and scientific co-operation. While agreeing with the principles and objectives of the assistance to be provided by the socialist countries to the developing countries, as set out in the Joint Statement of the socialist countries in 1976, the Group of 77 reiterated its position, as stated in the Buenos Aires Platform of 1983, that the socialist countries of Eastern Europe should improve the terms and conditions of lending to the

developing countries, as well as the volume and quality of their economic assistance, and should facilitate the financing of developing countries' projects. In that respect, the Group of 77 welcomed the proposals put forward by the UNCTAD secretariat on the adoption of a "Programme for further promotion of trade and economic co-operation among countries with different economic and social systems" (TD/B/1104, paras. 24-44).

682. Regarding the UNCTAD operational programme of technical assistance, he was pleased to note that UNCTAD was able to continue that programme, notwithstanding the financial constraints of UNDP. He also welcomed UNCTAD's initiatives and expressed the wish to be informed of the activities planned in that field during the next UNDP cycle. He expressed his thanks to the USSR, Bulgaria and other socialist countries for their financial contribution to the programme.

683. No progress had been made on agenda item 6 since UNCTAD IV, and the study of the informal text annexed to Conference decision 145 (VI) should be undertaken in the context of the new international economic environment, taking into account the prospects of the late 1980s and 1990s, as well as on the basis of the proposals contained in secretariat document TD/B/1104.

684. With regard to the convening of an ad hoc group of experts prior to the seventh session of the Conference, 5/ the Group of 77 expected that the group, to be convened in the first quarter of 1987, would be able to suggest meaningful and result-oriented measures for the further expansion of trade and economic relations between the different groups of countries. His Group was of the opinion that the ad hoc group of experts should be entrusted with the task of re-examining the informal text annexed to Conference decision 145 (VI) and providing new ideas in the form of agreed conclusions, taking into account the current international economic situation, as well as the specific needs of the developing countries.

685. The spokesman for Group D (Bulgaria), referring to the latest developments in world trade, including trade flows among countries having different economic and social systems, said that, after the strong expansion in 1984, the value of world trade in United States dollar terms had increased only modestly in 1985. Preliminary figures for 1986 were not optimistic. That was due primarily to the slackening in the growth of developed countries' trade, a decline in that of developing countries and the slowdown, compared with previous years, of the economic growth of socialist countries as a whole. Moreover, the growth in the trade of industrial market-economy countries had resulted only in increased trade among themselves, as both their exports to and imports from other countries had fallen in 1985. As pointed out in the Trade and Development Report, 1986, the 1985 exports of socialist countries, both in volume and in value, had fallen in absolute terms for the first time in many years. At the same time, the value of the imports of socialist countries had grown at the same rate and had even increased for some countries because of poor harvests.

686. In addition to those factors mentioned as the main causes for such unfavourable developments in the introductory statement of the Director of the Division for Trade with Socialist Countries, his Group considered that the promises to halt and even roll back protectionist measures by developed market-economy countries had not been kept. The exports of socialist

countries were constantly affected by protectionist and discriminatory measures in the markets of developed market-economy countries, and some 30 per cent of the exports of developing countries were subject to various kinds of restrictions, including non-tariff measures. Many of the more dynamic exports of developing and socialist countries were being increasingly constrained by restrictions. The international trading system must be strengthened on the basis of the principles of non-discrimination and full respect of most-favoured-nation (MFN) treatment in order to create a climate of international economic security. Such an approach would be of benefit to world trade as a whole, including East-South and East-West trade flows. That approach was to be seen in the context of the Ministerial Meeting of GATT in Uruguay, which was to launch a new round of multilateral trade negotiations for the liberalization of international trade.

687. For the present session and in accordance with Board decisions 321 (XXXI) and 297 (XXIX), a number of documents had been prepared by the UNCTAD secretariat. All those documents, including the 1986 report on the implementation of previous resolutions and decisions (TD/B/1103 and Add.1), the proposals by the secretariat for the promotion of trade and economic co-operation among countries having different economic and social systems (TD/B/1104) and the five background studies, provided considerable material for the Committee's deliberations. At the same time, they contained a certain amount of useful information related both to the patterns of trade of socialist countries and the latest developments in the structure and organization of foreign trade in those countries, including a review of the legislation in socialist countries of Eastern Europe regulating co-operation with foreign partners in the context of policies in respect of investment abroad and in their respective territories.

688. The study on payments arrangements (UNCTAD/ST/TSC/3) and the one on trade and economic co-operation between African countries and the socialist countries of Eastern Europe (UNCTAD/ST/TSC/7) also provided valuable information on developments, history and prospects in the fields concerned. In his opinion, those studies could have gained if a more detailed analysis of the factual findings had been provided. For example, what were the main causes for the substantial increase in bilateral arrangements and transactions on a compensatory basis, how did the secretariat see the possibilities for the enhancement of relations between socialist countries of Eastern Europe and African States, and what priorities could be established for further fruitful co-operation, since those countries needed particular attention and assistance in the present circumstances. He welcomed the initiative of the secretariat to elaborate and adapt, in the near future, a programme for further promotion of trade and economic co-operation among countries having different economic and social systems.

689. An effort must be made to leave behind the controversy which had occurred during the past seven years in order to find fresh approaches for the future. The main aim of Sessional Committee II was to try to create an atmosphere and conditions propitious for the successful consideration of the issues of trade and economic relations among countries having different economic and social systems and all trade flows resulting therefrom for UNCTAD VII. In that connection, he fully associated his Group with the opinion expressed by the spokesman for the Group of 77 in his opening statement to the effect that every effort must be made to achieve a serious breakthrough on item 6 and

that, since the Group of 77 was eager to enhance and expand its trade with the socialist countries of Eastern Europe and looked to UNCTAD to help achieve that aim, it was high time to work out a new approach commensurate with the needs and requirements of the late 1980s and 1990s. Group D took a similar approach and was ready to work towards a positive achievement which could give new impetus to active trade and economic co-operation among countries having different economic and social systems. It was to be hoped that Group B and China would also contribute to that process.

690. His Group welcomed UNCTAD activities in the field of technical assistance, which covered a broad spectrum of events, including the organization of national seminars, regional and interregional workshops for trade representatives of developing countries, and the promotion, diversification and expansion of trade and economic relations, including the identification of new opportunities. Those training activities enabled representatives of business sectors of developing countries to widen and deepen their knowledge of their partners, to become acquainted with the possibilities, trends and prospects of the countries concerned, and to share experience in trade policy and business matters, and they were generally considered to be very useful. The need to ensure adequate financial support for such activities was indeed recognized, and funds were provided by several socialist countries. He expressed the belief of his Group that in the future, UNDP would also contribute to the attainment of those ends in operational activities for the development of trade between socialist countries of Eastern Europe and developing countries. As the Secretary-General of UNCTAD had said in his introductory statement, trade flows among countries having different economic and social systems were relatively small in scale, but they were by no means marginal. Finally, he stated the readiness of Group D countries to co-operate with the other regional groups in constructive work in the Sessional Committee.

691. The representative of China expressed the satisfaction of his country for the timely, extensive and informative documentation provided by the UNCTAD secretariat on item 6. China recognized that a great change had taken place in the world economy over the last 12 months. The sharp decline in oil prices, the decline in interest rates and the decline in the exchange rate of the United States dollar had stimulated the Western economies. However, it would be wrong to be over-optimistic, since factors threatening the healthy development of the world economy had not yet been eliminated, for example the serious unemployment in Western countries, the increase in trade protectionism, the drastic fall in primary product prices and the increasing debt burden of certain developing countries. Although there had been some recovery in the economy of developed Western countries, the difficulties faced by the developing countries had not been alleviated. For most of the developing countries, the developmnt problem was still critical. Most of those countries still faced serious difficulties in overcoming their external debt burden and in dealing with the tendency towards generalized protectionism in developed market-economy countries, the continuous drop in commodity prices, etc. For example, non-oil commodity prices had fallen by 25 per cent, and the rate of increase of the external debt burden of the developing countries was three times higher than that of their national product and four times higher than that of export earnings.

692. Trade relations among countries having different economic and social systems was a component of world trade, and on the basis of data provided by the UNCTAD secretariat in document TD/B/1103, China noted the growth, although low, of inter-system trade. Nevertheless, there was still room for further increases in trade that would lead to mutually beneficial gains and expansion.

693. China was a socialist developing country. In 1985 agricultural and industrial output in China had been 16.4 per cent higher than in 1984, and national income had increased by 12.3 per cent. Starting from the current year, the Government had set out to attain a more realistic rate allowing greater economic efficiency and gradual improvements in living standards. In 1985, the volume of imports and exports had risen by 30 per cent over 1984, but China continued to suffer as a result of trade protectionism and had a large external trade deficit.

694. With the implementation of its seventh five-year plan, which had started in 1986, there would be even broader prospects for economic and trade co-operation between China and the rest of the world, and China was ready to develop its economic co-operation and trade relations with other developing countries, other socialist countries and developed market-economy countries as well. The plan would further contribute to the modernization efforts being made in the Chinese economy and would also contribute to the revitalization of the world economy.

695. It was a matter of concern that no agreement had been reached on agenda item 6 since UNCTAD V, and a workable resolution acceptable to all parties at UNCTAD VII should be prepared at the present session of the Board. The text annexed to Conference decision 145 (VI) could be taken as the basis for discussions in the context of the establishment of a new international economic order and for the drafting of a new resolution on the matter for the consideration of UNCTAD VII. His delegation would collaborate with all parties to get the necessary agreement.

696. The spokesman for Group B (United States of America) said that, regarding the work of the UNCTAD secretariat in the field of promoting trade between countries with different economic and social systems, Group B's position on that subject was a well-documented matter of record, but the documentation prepared for the thirty-third session of the Board continued to address issues from a perspective based on essentially irrelevant political considerations, rather than economic development concerns.

697. Group B had consistently demonstrated a willingness to recognize that UNCTAD had a unique role to play in expanding economic relations between socialist countries of Eastern Europe and developing countries. The success or failure of the secretariat's work in that field should be judged primarily by the extent to which its work had facilitated real economic progress in the developing countries.

698. Sessional Committee II should focus on questions of development, primarily from the viewpoint of developing countries, and not waste its time on issues which were more appropriately discussed in other forums. The mandate given by General Assembly resolution 1995 (XIX) and subsequent resolutions clearly stated that the secretariat should avoid duplication of work, in particular work undertaken by specific regional commissions. However, despite the concern expressed repeatedly by his Group, the secretariat

continued to divert scarce resources to East-West issues. Neither the secretariat nor the socialist countries of Eastern Europe had been able to establish that there was a significant, direct link between East-West and East-South trade, or that benefits would flow automatically to developing countries as a result of an increase in East-West trade. To the contrary, recent evidence suggested that additional earnings on the part of the socialist countries of Eastern Europe would be spent on trade with the developed market-economy countries and not transferred to the developing countries.

699. The time had come to concentrate on the real state of East-South trade with a view to seeking ways to improve the current situation. His Group believed that there was a pressing need for a more searching analysis of that trade. The secretariat's work should provide more information about the role assigned to trade in the plans of the socialist countries of Eastern Europe. That work should be directed towards the development of a coherent strategy for the stimulation of East-South trade flows.

700. With regard to the documentation and issues to be dealt with at the current session of the Board, his Group had recognized, with regret, that the secretariat continued to be hampered in accomplishing its task by the lack of comprehensive trade and development assistance data from CMEA sources, which were necessary to prepare meaningful documentation. Group B believed that both major documents before the Committee (TD/B/1103 and TD/B/1104) were prime examples of lack of objectivity, balance and focus. Those documents continued the traditional secretariat practice of attributing all problems of international trade to policies of the Western industrialized nations, while at the same time avoiding any detailed analysis of the obstacles to trade inherent in the domestic policies of the socialist countries of Eastern Europe. Such analysis was critical in determining the prospects for East-South trade, and the present overall structure of the CMEA trading system (pricing policies, bureacratic foreign trade arrangements and non-convertibility of currencies) constituted the major barrier to such trade.

701. Aid flows were a significant component of developing economies. However, the secretariat documentation focused little factual attention on the developmental assistance efforts of the socialist countries of Eastern Europe. In his Group's view, CMEA bilateral aid figures lacked the transparency needed for proper analysis, and for the secretariat to virtually ignore that fact raised serious doubts about the overall effectiveness of its work in that field.

702. His Group was particularly concerned with chapter III of document TD/B/1103, which represented an example of how the secretariat was devoting its resources to issues which his Group believed to be irrelevant to the promotion of East-South trade relations. His Group regarded that as a diversion from the examination of the real issues and objected to such a politicization of the Committee.

703. The views already expressed applied to document TD/B/1104 as well, and his Group did not propose to comment further on that document. Referring to the statement of the Group of 77 where the spokesman for that Group had called upon the secretariat to help developing countries enhance and expand their trade with socialist countries of Eastern Europe, he said that his Group supported that appeal and hoped that it would meet with an effective and

meaningful response and lead to the development of a coherent strategy for the stimulation of East-South trade flows. His Group was prepared to discussspecific suggestions from the Group of 77 concerning the course of future work in Sessional Committee II and regarded that work as a matter which directly affected the interests of the developing countries.

704. The representative of the Council for Mutual Economic Assistance (CMEA) said that trade and economic relations among countries with different systems were a major factor contributing to the relaxation of political tension and the broadening of international co-operation on a large scale. The principal approach of CMEA member countries to the problem was set out in the documents of the Summit Economic Conference of CMEA member States, where the intention had been expressed to develop trade and economic, scientific and technical co-operation with all socialist, developing and developed market-economy countries. Furthermore, CMEA member States, both in CMEA and in the United Nations and other international forums, had made proposals, which retained all their validity, for the development of international economic co-operation and the implementation of a programme of action aimed at normalizing international economic ties, ensuring economic security and establishing confidence in international economic relations.

705. He welcomed the documentation prepared by the UNCTAD secretariat for the thirty-third session of the Board, especially documents TD/B/1103 and TD/B/1104, as well as the proposals on the role of industrial co-operation in contributing to the development of trade. For its part, the CMEA secretariat had prepared information on forms and methods of economic, scientific and technical co-operation between CMEA member States and developing countries, and that information had been distributed to participants.

706. In conclusion, he referred to the active contribution of the CMEA secretariat in executing UNDP/UNCTAD technical assistance programmes and expressed the readiness of the CMEA secretariat to broaden and strengthen co-operation with the UNCTAD secretariat in that field.

707. The representative of the Union of Soviet Socialist Republics said that the work within the UNCTAD secretariat on trade relations among countries having different economic and social systems should relate as closely as possible to the actual practice of trade and economic co-operation among those countries and it should be practically oriented. Real results could be achieved regarding trade and economic co-operation and the acceleration and intensification of economic development through consistent and active efforts on the part of all States and groups of countries. In that connection, the idea of elaborating within UNCTAD a positive programme for the further promotion of trade and economic co-operation among countries with different systems was interesting, especially in the context of preparations for UNCTAD VII.

708. A new orientation should be given to the topics discussed within UNCTAD, especially regarding trade and economic relations among countries having different systems, through the involvement of UNCTAD's main committees in work on specific aspects of trade and economic relations among countries with different systems, in conjunction with the Committees' main activities.

709. With regard to the current state of USSR foreign trade, the potential for extensive-type development of Soviet foreign trade was basically exhausted, and there was a need to make deep qualitative changes throughout the whole range of foreign trade activity and to identify and apply new and effective ways and means of maintaining mutually beneficial trade ties with foreign countries, including industrial co-operation and joint ventures in various branches of the economy. Those problems should be analysed in UNCTAD.

710. With regard to the documents prepared by the secretariat for the thirty-third session of the Board, practically all of them were of good professional quality. The UNCTAD secretariat had tried to take into account all the critical remarks made in the past and was striving to increase the informativeness and practical orientation of its studies. He welcomed the hiring of experts from different countries, and he drew particular attention to the study on joint ventures with the participation of enterprises of the socialist countries of Eastern Europe (UNCTAD/ST/TSC/5) and the study on the prospects in trade and economic co-operation among countries having different economic and social systems (UNCTAD/ST/TSC/6), which had aroused informal interest on the part of Soviet practical and scientific organizations.

711. Document TD/B/1104 needed to be analysed separately and could be regarded as a first step in the right direction. Although some points in the document needed to be clarified, the secretariat had tried to take a new informal approach to the main issues of UNCTAD activity in the field of trade and economic co-operation among countries with different systems. The document in question should be analysed separately, in particular in the framework of the meetings of the planned ad hoc group of experts.

712. In conclusion, he said that the first steps had been taken to overcome the stagnation in UNCTAD activity on trade relations among countries with different systems.

713. The representative of Iraq expressed the appreciation of his country for the efforts made by the UNCTAD secretariat to promote trade and economic co-operation between socialist countries and developing countries, as well as his hopes that UNCTAD would contribute to creating an economic order beneficial and fruitful for all countries.

714. Regarding the documentation for the current session of the Board, he noted that all the studies provided useful details regarding trade and economic co-operation between socialist and developing countries.

715. The technical assistance programmes carried out by the UNCTAD secretariat in connection with East-South relations were a cause for satisfaction, and that activity, especially the seminar on the Generalized System of Preferences in Baghdad, was providing opportunities for the exchange of views and ideas among socialist and developing countries with a view to removing constraints and settling difficulties. The UNCTAD secretariat should organize a special meeting on trade and economic relations among developing countries. He confirmed the willingness of his country to participate in the study tour in Sofia for ESCWA member countries.

716. Referring to the consultative machinery of UNCTAD for bilateral and multilateral consultations among member countries, he called for the extension of that activity in order to benefit all countries and to establish a framework for internationally agreed principles of conduct.

717. Finally he stressed the need to contribute to the implementation of resolutions adopted by member countries and to elaborate common proposals aimed at overcoming existing obstacles.

718. The representative of the German Democratic Republic said that Sessional Committee II was meeting during the lead-up to UNCTAD VII, and that made its deliberations particularly important. His delegation therefore took note with great interest of the documents prepared by the secretariat for the Sessional Committee. Those documents already reflected an attempt to find a new sort of approach to the pending problems and thus to make a constructive contribution to the preparations for UNCTAD VII. That was particularly true of documents TD/B/1103 and TD/B/1104.

719. His delegation fully agreed with the statement made by the spokesman for Group D on agenda item 6. Current processes in international economic relations furnished proof of their extremely close linkage with the international political climate and the growing interdependence of different trade flows. Hence, the multifaceted problems of international economic relations could only be settled through joint efforts by all participants, taking into account the legitimate interests of all countries and groups of countries. The further shaping of international economic relations must be based on equality of rights and mutual confidence. That was the only way of alleviating distrust and insecurity and finding mutually acceptable ways of eliminating artificial trade obstacles.

720. Trade among countries having different social and economic systems had become an indispensable part of world trade. In that connection, it must be understood that not only world trade, but also trade among countries having different social and economic systems, was affected by protectionism and other artificial obstacles. Document TD/B/1103 outlined, in a rather instructive manner, the general and special features of trade between socialist countries, on the one hand, and developing and developed market-economy countries, on the other, over quite a long period.

721. In line with Board decision 321 (XXXI), the secretariat had made an assessment of the state of fulfilment of Conference resolutions 15 (II), 53 (III) and 95 (IV), the topicality of which had not declined as regards their basic orientation. For the purposes of UNCTAD VII, it was essential to identify more clearly those fields covered in earlier Conference resolutions where action had not been taken and which would provide additional and real possibilities, in line with the interests of the States involved, for the further development of trade and economic co-operation. The application of universally recognized principles to that kind of co-operation would help create stability and guarantee mutual benefit. That seemed to be an important criterion in the light of the complicated economic situation prevailing in many developing countries and the need for the adjustment of national economies to changed conditions.

722. Structural changes in national economies also had quite a considerable impact on trade between countries having different social and economic systems. Further investigations on what forms and methods of co-operation were apt to have a positive effect and what obstacles had to be eliminated would be useful.

723. Owing to the extremely difficult economic situation of many developing countries and the increasingly complex requirements of trade and co-operation, multilateral business, including tripartite deals, would become more common. The UNCTAD secretariat should therefore continue to give a helping hand in generalizing experience gained so far in that field. That was equally relevant to the different types of deals connected with the transfer of technology and the different types of economic co-operation, including the exchange of services. With regard to consultation mechanisms, the experience of the German Democratic Republic conformed with the findings set out in document TD/B/1103.

724. With regard to the technical assistance programme, it would be useful if the UNCTAD secretariat continued along existing lines. The competent authorities of the German Democratic Republic were presently examining the possibility of organizing, together with the UNCTAD secretariat, a training course for foreign trade specialists from developing countries in the German Democratic Republic each year until 1991. Given the importance of UNCTAD's programme of technical assistance, especially for the developing world, his country continued to give its full support to the related activities. He urged UNDP to increase its assistance by providing adequate financial resources in the Fourth Programming Cycle, 1987-1991.

725. Document TD/B/1104 represented another valuable contribution of the secretariat to preparations for UNCTAD VII. The main ideas outlined in that document and the proposals sketched in chapters II and III of document TD/B/1103 should find their way into one document to be made available for the deliberations at UNCTAD VII. In addition, it would be well worth considering global problems as they related to trade relations among countries having different social and economic systems. Accordingly, a paper could be prepared picking up the thrust of resolutions adopted at earlier conferences (resolutions 15 (II), 53 (III) and 95 (IV)) in the light of the requirements of the remainder of the current decade. His delegation would be prepared to share in such endeavours in preparing for the Conference.

726. The representative of Nigeria stressed the importance of agenda item 6 for UNCTAD. The examination of all trade flows was part of the mandate set out in General Assembly resolution 1995 (XIX), which gave UNCTAD the character of a universal organization. His delegation believed in the competence of UNCTAD to deal with all trade flows relating to both East-West and East-South matters.

727. The technical assistance activities of the UNCTAD secretariat, in their different modalities (training and advisory services), were of the utmost importance for all developing countries. There were a great many areas for co-operation in trade among countries having different economic and social systems, particularly between the socialist countries of Eastern Europe and developing countries. Quite a number of those areas of co-operation had not been exploited to the mutual advantage of the two groups of countries. The full utilization of all the resources available for that kind of co-operation was therefore highly appreciated. In that connection, the African Ministerial Conference in Brazzaville in 1985 had adopted a recommendation on the need for the further expansion of trade links with the socialist countries of Eastern Europe.

728. In conclusion, he emphasized the importance of continued technical assistance for overcoming the present difficulties faced by developing countries and achieving substantial progress in their trade and economic co-operation with the socialist countries of Eastern Europe. He fully endorsed the statement made on behalf of the Group of 77.

729. The representative of Czechoslovakia said that the importance of the development of all trade flows for the general positive development of the world economy had already been underlined by the Secretary-General of UNCTAD. The task of Sessional Committee II was to consider the present state of trade relations among countries having differrent social and economic systems and to try to elaborate international measures aimed at easing or removing existing barriers to trade and promoting trade exchanges among countries from different groups. In that context, document TD/B/1103 and Add.1 and document TD/B/1104 were very useful, containing an accurate appraisal of the present situation in trade relations among countries having different social and economic systems.

730. His delegation agreed that considerable progress had been achieved in the area of trade relations among countries having different social and economic systems and that the majority of the related provisions in UNCTAD resolutions had been successfully implemented. Nevertheless, there existed a great deal of room for the further expansion of trade among countries of all regional groups. As to the concrete results of the foreign trade of socialist countries of Eastern Europe over the past 15 years, high annual rates of growth had been achieved in respect of both exports and imports to and from developing countries and developed market-economy countries. That positive trend should continue, and his Government paid constant attention to that goal when implementing the strategy of accelerated development in the Czechoslovak economy.

731. He then briefly described economic developments in Czechoslovakia in the period 1981-1985, the role of foreign trade and highlights of economic development in Czechoslovakia over the next ten years and up to the year 2000. Czechoslovak economic development would be based in particular on the efficient exploitation of the achievements of science and technology, the extension of external economic relations through foreign trade as their dominating element, the greater adaptability of the economy to objective trends in the world economy, the extension of non-traditional trade and other forms of economic co-operation with both socialist and non-socialist countries and further improvement of management tools in the sphere of external economic relations.

732. The existing international political environment did not create the best conditions for the successful and stable development of all flows of world trade. In its economic co-operation with non-socialist countries, his country faced large-scale tariff and non-tariff trade barriers, the discriminatory application of protectionist measures by leading developed market-economy countries, and in some cases even embargoes on exports of goods from those countries to Czechoslovakia, especially for deliveries of high technology items. He stressed that it would not be possible to achieve any further significant results in the development of trade and other forms of economic co-operation unless concrete positive steps were taken by the Governments of the countries concerned aimed at ensuring adherence to their international commitments and obligations.

733. Finally, document TD/B/1104 represented an acceptable basis for further discussions on the promotion of inter-system trade. Despite many existing problems in the general political and economic environment, he was quite optimistic and shared the UNCTAD secretariat view that a more stable and more rapid growth of trade and a further extension of other forms of economic co-operation could be expected in the next few years. However, every Government must make a concrete trade policy contribution.

734. The spokesman for the Group of 77 (Sudan) reiterated his request to the UNCTAD secretariat for further information regarding the results of consultations between UNCTAD and UNDP on technical assistance further to Trade and Development Board decision 321 (XXXI).

735. The representative of Argentina supported the statement made on behalf of the Group of 77 on agenda item 6 and stressed the importance of the technical assistance activities undertaken by UNCTAD. That programme deserved to be provided with the necessary funds and resources in order to make it possible to hold seminars at the national, regional and interregional level. His delegation fully supported all measures taken to ensure the continuity of that programme.

736. The spokesman for Group D (Bulgaria) said that, on the basis of General Assembly resolution 1995 (XIX), UNCTAD should be concerned with all matters related to trade among countries having different economic and social systems, including East-South and East-West co-operation. He expressed the hope that no group of countries was seeking to change that mandate, so it remained valid. As to the documentation prepared by the secretariat of UNCTAD, his Group could have objected that East-West problems were not adequately covered therein and that a certain imbalance had indeed resulted because of the particular attention devoted to the interests of developing countries, but aware of that fact Group D regarded the documents in question as a positive contribution to the work of the Committee.

737. The representative of Viet Nam expressed his gratitude to the UNCTAD secretariat for the high-quality documentation provided to Sessional Committee II concerning all essential aspects and issues of trade relations among countries having different economic and social systems. He stressed the importance of the Committee's work for promoting co-operation among those countries and said he expected a consensus to be reached on the draft resolution pending negotiation in view of the preparations for UNCTAD VII.

738. The dynamism of trade relations among countries having different economic and social systems was a positive element for the revitalization of the world economy. The growing interdependence of countries had directly influenced their development. UNCTAD, as a universal organization, played a key role in the reinforcement of international relations, including East-West relations. In view of the establishment of a new international economic order, the further development of trade and co-operation relations among countries with different systems on the basis of the principles of equality, mutual benefit and non-discrimination was a main objective.

739. During the period 1970-1985, the trade volume between the developing countries and the socialist countries of Eastern Europe had increased by an average annual rate of 13.9 per cent. Simultaneously, the quality of trade relations had improved, with the broadening of the institutional basis and the

utilization of new forms of economic co-operation. Nevertheless, there was still room and potential for further development. The constraints hindering expansion came from the negative economic and political world environment, which included balance-of-payments difficulties, further protectionist trends, discriminatory practices, lack of confidence and security in international economic relations, etc. The international community should bring on efforts to roll back all obstacles and create favourable conditions for the respect of basic principles in international trade.

740. UNCTAD activities had greatly contributed to mutual understanding among Governments. Nevertheless, the present economic situation demanded new approaches and a new political mentality. In that regard his delegation welcomed the proposals put forward by the UNCTAD secretariat in document TD/B/1104.

741. In particular, he emphasized the interest of his delegation in convening the ad hoc group of experts to examine appropriate ways and means for the promotion of trade among countries having different economic and social systems before UNCTAD VII.

742. The representative of Egypt thanked the UNCTAD secretariat for its efforts in respect of studies and consultative and technical assistance activities aimed at diversifying trade and economic co-operation among countries having different economic and social systems. Progress had been made in the preparation and the quality of the annual report: it took a more practical approach to the problem of increasing inter-trade and expanding economic ties. The secretariat had also succeeded in elaborating a programme of practical activities aimed at the further development of trade and economic relations, as discussed in document TD/B/1104.

743. He welcomed the presentation of five background studies in which the UNCTAD secretariat had managed to classify the facts and statistical data available, analysed recent developments, specified some of the existing important problems and described prospects for developing co-operation among countries having different economic and social systems.

744. The study on the USSR, published before the Soviet Union's formal request to participate in the new round of multilateral trade negotiations (MTN), gave an opportunity to become acquainted with the Soviet economy in the current changing global setting and with its prospects for trade-oriented growth. He noted that the USSR's application to join the new round of MTN was aimed, inter alia, at gaining the experience necessary to enable it to arrive at a decision on its accession to GATT, account being taken of the various changes in the Soviet foreign trade mechanism.

745. Regarding the study on trade and economic co-operation between African countries and the socialist countries of Eastern Europe (UNCTAD/ST/TSC/7), he underlined that prospects for the expansion of trade between African countries and the socialist countries of Eastern Europe depended primarily (taking political will for granted) on the pace and scope of economic development in African countries and on the pattern of structural changes in the socialist countries of Eastern Europe. He noted, however, that while those two conditions were objectively stated in the study in a parallel way, the final conclusions at the end of the same study seemed to hit the ball back to the African court. He suggested that further secretariat studies on the subject

should provide more detailed information on actual problems and possible difficulties that might hinder the expansion of African trade relations with the socialist countries of Eastern Europe. Those difficulties included financing and balancing trade, payments and pricing. New specific recommendations on solving those problems would be most welcome.

746. As for the study of the prospects for trade relations and economic co-operation among countries having different economic and social systems (UNCTAD/ST/TSC/6), the analytical presentation contained in the study should have elaborated more on the principle of favourable and special treatment of the developing countries and how it should be implemented in trade relations among countries having different socio-economic systems. With regard to document TD/B/1103, the real developmental gap between the majority of the developing countries and the socialist countries of Eastern Europe should not be underestimated. Document TD/B/1104 had clearly recognized the fact of different stages of development between countries having different economic and social systems.

747. The realities of the late 1980s and the challenges expected in the 1990s should make all countries, including those with different economic and social systems, think of new ideas and try new approaches. The informal text annexed to Conference decision 145 (VI) had, therefore, to be reviewed and updated with a view to better reflecting recent developments in national, regional, interregional and international economies and, in particular, those of the developing countries.

748. The last parts of the programme suggested in document TD/B/1104 should be given priority, namely those concerning the role of UNDP in financing the technical assistance programme and the achievement of more practical benefits for developing countries, including consultative machinery and measures to strengthen co-ordination and co-operation between UNCTAD and other bodies to ensure integration and to avoid duplication of work. He expressed appreciation for the efforts of those socialist countries which contributed to technical assistance programmes by hosting seminars and workshops aimed at promoting trade relations with the developing countries.

749. Finally, he emphasized the importance of what had been suggested by the spokesman for the Group of 77 regarding the convening of the ad hoc group of experts called for in Trade and Development Board decision 321 (XXXI) in the first quarter of 1987. In his opinion January 1987 might be an appropriate time in order for his group to have sufficient time for the preparations for UNCTAD VII.

750. The representative of the USSR, referring to the recent measures adopted in the USSR in order to improve foreign economic activities, said that those measures had been worked out and adopted with due regard to the necessity for serious improvements in the management of the Soviet economy, as called for at different forums of the Communist Party of the Soviet Union (CPSU), including the 27th Congress of the CPSU in February-March 1986 and the Central Committee plenary meetings.

751. Referring to the improvement of the organization of management of external economic ties,he said that the State Foreign Economic Commission of the USSR Council of Ministers, with a Deputy Chairman of the Council of Ministers at its head, had been created as a new central state body for the guidance of external economic activity. It would monitor the work of the Ministry of Foreign Trade and other ministries and bodies carrying out external trade and economic activities.

752. The most important innovation was the concession, to a number of ministries and bodies of the USSR and Soviet Republics as well as to industrial associations and enterprises, of the right to directly undertake export-import operations, inter alia on the markets of developed market-economy countries and developing countries. Associations, enterprises and organizations had also been given the right to establish direct contacts with enterprises and organizations of other CMEA member countries and to work independently on industrial and scientific and technical co-operation. As far as the market-economy countries were concerned, it had been decided that enterprises having the right of access to foreign markets would be able to carry out directly activities connected with scientific, technical and industrial co-operation. In principle, it was recognized as permissible to set up joint enterprises in relations with both socialist CMEA member countries and market-economy countries.

753. As to the improvement of the planning process and economic methods of management, the goal was to ensure that export requirements would be satisfied in good time and that unjustified imports would be stopped. In order to involve enterprises having the right of access to foreign markets in the management of the planning process, it had been decided, starting from 1987, that the range of planning targets for such enterprises should also include targets for their foreign currency income, inter alia in convertible currencies.

754. Henceforth, one of the ingredients of state five-year plans would be an aggregated foreign currency plan (balance of payments) with a breakdown by years, ministries, bodies and kinds of currencies. It was planned to work out the programme for the development of exports for the period up to 1995.

755. A wide range of measures was envisaged for the encouragement of exports. Foreign currency funds would be created in associations, enterprises and organizations for the financing of their own export-import transactions. Those funds would be established on the basis of allocations of financial resources received from the export activities of enterprises, as well as from income earned through deliveries effected on the basis of co-operation agreements. Ninety per cent of such funds would remain at the disposal of associations, enterprises and organizations and they could not be withdrawn. Associations and enterprises would have the right to use those funds as they thought fit.

756. In the case of payments for the imports of goods needed for technical modernization and reconstruction, associations, enterprises and organizations would be able to use only earned foreign currency or would have to borrow from the Bank for Foreign Trade. The foreign currency credits of the latter would be granted for a period of up to f ur years, provided credits were repaid from the income received from the export activities of the enterprises concerned.

757. With regard to the development of new forms of economic relations with the firms of market-economy countries, it was recognized as necessary to develop such new forms of co-operation as scientific, technical and industrial co-operation and joint enterprises (ventures) on USSR territory. Soviet enterprises and organizations which had the right of access to foreign markets would be able, on their own and directly, to establish the necessary contacts and carry out industrial co-operation. The rest would participate in such activities with the help of foreign trade associations.

758. As a rule, industrial co-operation would be effected on a balanced basis (in terms of foreign currency values of mutual deliveries). Joint enterprises would be set up on the basis of common capital, with the share of the foreign partner not surpassing 49 per cent. Advantageous conditions of participation would be offered to foreign partners; those advantages might involve the level of taxation, the right of free transfer of profit as well as other assets owned by foreign partners, the right to participate in the management of enterprises, and the exercise of control over the quality of production. It was also permitted for foreign partners to use their profits for re-investing. State organs of the USSR would not set planning targets for the joint enterprises.

759. The representative of India emphasized the importance of trade flows between countries having different economic and social systems, particularly between developing countries and socialist countries of Eastern Europe, and underlined UNCTAD's role in facilitating and promoting the adoption by member countries of measures and policies designed to expand and diversify those trade flows, thereby contributing to the economic growth of developing countries.

760. In their efforts to achieve industrial development and sustained economic growth, the developing countries found that it was imperative for them not only to broad-base the structure of their exports by including manufactured and semi-processed goods, but also to diversify their markets to obtain alternative sources of supplies as well as new export outlets.

761. His delegation appreciated the studies prepared by the secretariat for the present session of the Board and suggested the need for a special study devoted to the new forms of economic co-operation with trade-creating potential which were being developed by the socialist countries in the context of the most recent developments in their foreign trade system and management.

762. The representative of Poland said that although trade relations among countries having different socio-economic systems constituted a relatively small part of international trade, they were nevertheless an important part of it. However, trade flows among countries having different socio-economic systems were more vulnerable than other trade flows to a number of destabilizing factors, including the lack of economic security due to the politicization of international economic relations and the use of economic means for political ends.

763. The present state of international co-operation, developing in an environment of deflationary pressures, the debt service burden and lack of predictability, also had a negative impact on those relations. Accordingly, in the course of preparations for UNCTAD VII, great importance must be attached to arriving at mutually acceptable decisions that could be adopted at

the Conference and which could help to generate new momentum in the development of trade and economic relations among countries having different economic and social systems, giving them more predictability and confidence, thus creating an economic security system serving the interest of all countries. UNCTAD could play an important role in that process. His country also hoped to contribute, inter alia through the restructuring and reform of its economy in response to the internal and external environment and its traditionally good economic relations with several developed market economies and developing countries.

764. Despite all the economic problems which Poland faced, the Polish economy continued to become more open in relation to both the West and the South. Every effort was being made to increase mutually advantageous trade with all countries, especially developing ones. Recently the developing countries' trade balance with Poland had been improved and organizational efforts had been undertaken to foster that trade further.

765. Welcoming, inter alia, the proposals made by the UNCTAD secretariat on the promotion of trade among countries with different systems as a useful starting point for discussions, especially in the ad hoc group of experts to be established prior to UNCTAD VII, he noted the constant improvement in the quality of the documentation prepared by the UNCTAD secretariat for the Board, including background studies oriented toward specific issues. However, the documentation should be more balanced in its geographical coverage and deeper in its intellectual penetration inter alia in respect of an economic co-operation system which would lead to a more secure and predictable environment. The analysis of the implementation of Conference resolutions 15 (II), 53 (III) and 95 (IV) contained in document TD/B/1103 was slightly superficial and sometimes contradictory, especially regarding the treatment of socialist countries by certain developing countries in respect of the obligations undertaken by them. Also, not enough light had been shed on the difficulties facing socialist countries in their co-operation with developed market economies and on the degree to which the trade settlements between the socialist and developing countries had been multilateralized.

766. He also welcomed the expansion of the technical assistance operations of the UNCTAD secretariat in the sphere of trade and economic relations between socialist and developing countries and noted that more energetic efforts should be made to obtain resources, including UNDP funds, in order to finance further technical assistance operations.

767. He supported the position taken by the spokesman of Group D with regard to Group B's statement and pointed out that the East-West and East-South trade linkage existed and that Group B seemed to be misinformed with respect to the evolution and present state of the system of economic management of the socialist countries of Eastern Europe.

768. The representative of Cuba expressed the satisfaction of his delegation with the quality and quantity of the documentation prepared by the UNCTAD secretariat, as well as with the technical assistance activities undertaken since the thirty-first session of the Trade and Development Board.

769. His delegation expressed the wish that documents TD/B/1103 and Add.1 and TD/B/1104 be a part of the documentation for the seventh session of UNCTAD. He fully supported the proposals put forward in document TD/B/1104 regarding the re-establishment of trust among States in international economic relations and also ways and means for the development of trade among countries with different systems, particularly the developing countries.

770. His delegation thanked the CMEA secretariat for making available the document on forms and methods of economic, scientific and technological co-operation of the CMEA member countries with developing countries, which, among other things, provided data on how the practice of entering into long-term economic and trade agreements had promoted trade and encouraged the growth of basic industries in developing countries. His delegation was convinced that that approach could considerably improve the situation of developing countries.

771. He stressed the competence of UNCTAD to examine all trade flows and opposed the view expressed by other groups of countries regarding the study of problems in East-West as well as East-South trade relations. He fully supported the statement by the spokesman of the Group of 77 on the need to provide UNCTAD with resources for the execution of projects and programmes of technical assistance in view of their concrete and practical results. He also stressed the need for funds to undertake consultations with the ECLAC and CMEA secretariats on the development of trade relations between Latin American countries and socialist countries of Eastern Europe, as recommended during the seminars held in Mexico in June 1980 and in Buenos Aires in July 1984, as well as on the workshops for governmental representatives and businessmen from developing countries and socialist countries of Eastern Europe.

772. The representative of Hungary endorsed the views expressed by the spokesman for Group D. In 1985, the improvement of the external balance had continued to be at the centre of Hungarian economic policy. The surplus in convertible-currency trade attained in 1985 was lower than in the previous year due to the considerable pick-up of imports, attributable inter alia to the elimination of import restrictions introduced earlier for balance-of-payments reasons and some decrease in convertible-currency exports. The Hungarian Government had approved and implemented a series of measures for the further development of the economic management system, including some changes in the price system and the introduction of new forms of enterprise management. New legislation on joint ventures had been introduced, creating more attractive conditions for their operation. New and simplified rules and procedures had also come into force in respect of granting foreign trading rights.

773. However, the general external economic and trading environment had not been supportive to the country's internal efforts. The economic recovery in the world economy had proved to be uncertain, and the trade policy environment had further deteriorated. Protectionism had proliferated and politically motivated restrictions had gained ground. As documented by recent studies prepared by the UNCTAD secretariat, exports of socialist countries had been most affected by protectionist measures in the period 1981-1984. That was especially true in respect of exports to Western European countries, which were traditionally the most important convertible-currency markets for Hungarian exports. In the case of agricultural and food products, market access possibilities had further deteriorated as a consequence of the trade

policies of some developed Western countries. The competitive export subsidization practised by some major trading nations had contributed to unprecedentedly low market prices for some temperate-zone agricultural products, thus causing serious losses in export earnings to Hungary.

774. The developing countries' share of overall Hungarian foreign trade had been not more than 5-6 per cent in the early 1970s, but had grown to 12-13 per cent within a decade. In Hungarian exports to the developing countries, manufactures played a dominant role, accounting for over 85 per cent. The single most important product group was that of machinery and equipment, but due to the deteriorating economic situation, a number of developing countries' demand for investment goods had fallen back and that had affected Hungarian exports too. The Hungarian import structure had also changed recently. Up to the 1970s, Hungarian purchases of manufactures from developing countries had been meagre. In recent years, however, they had accounted for some 15 per cent of imports, and a further increase was expected. The Hungarian Government had made numerous efforts to promote imports from developing countries, including the establishment and continuous improvement of the Hungarian GSP scheme and the creation of a special section within the Hungarian Chamber of Commerce dealing with the promotion of imports from the least developed countries. Special rates had been introduced for the least developed countries' participation at trade fairs organized in Hungary, with up to 70 per cent of the costs being covered by government subsidies.

775. Finally, he noted that one of the previous speakers had dealt with the domestic policies and trading systems of the socialist countries of Eastern Europe in a rather falsified manner. In that context, it had to be stated that Hungarian trade policy was conducted in full accordance with the multilaterally contracted rules of international trade.

776. The representative of Colombia said that her delegation agreed with the views put forward by the spokesman for the Group for 77 in Sessional Committee II. She supported the request for further information from the UNCTAD secretariat on future technical assistance activities to be undertaken during the next UNDP cycle.

777. In that context, her delegation put on record the active participation of Colombia in the joint UNCTAD/ECLAC technical assistance activities carried out between 1976 and 1984. The seminars of experts held in Mexico City in 1980 and in Buenos Aires in 1984 had adopted recommendations addressed to the Governments of Latin American countries and CMEA member countries. Her delegation reiterated its support for those recommendations and hoped that they would be taken into account for the preparation of future joint UNCTAD/ECLAC projects on the promotion of trade and co-operation between Latin American and socialist countries.

778. The representative of Uruguay said that she shared the concern of the developing countries, as expressed by the spokesman for the Group of 77 in Sessional Committee II. In that connection, she wished to emphasize the role of UNCTAD in facilitating trade with the socialist countries. Traditionally, Uruguay had considered that one of the most important contributions of UNCTAD as a universal organization was its role as a negotiating framework for developing, developed market-economy and socialist countries. The participation of the latter countries was a guarantee of bringing together countries having different economic and social systems.

779. In the recent past a delegation from her country, headed by the Foreign Minister and including representatives from the private sector, had visited various socialist countries to examine new forms of agreements and the intensification of bilateral trade flows. Within the framework of such efforts, UNCTAD should be provided with all the necessary resources to supplement bilateral agreements with appropriate mechanisms aimed at promoting and expanding trade expansion as well as furthering economic co-operation between countries with different systems.

780. In that context, her delegation fully supported the secretariat's programme of technical assistance involving joint projects carried out by UNCTAD, ECLAC and UNDP. Technical assistance was an appropriate and necessary element for the development of trade links. All the necessary resources and means should be provided to achieve the proposed goals.

781. The representative of Senegal expressed the support of his delegation for the position of the Group of 77, as stated by the spokesman for the Group. He also expressed his satisfaction with the quality of the documentation provided by the secretariat.

782. With regard to the programme of technical assistance, his delegation shared the views expressed by other delegations on the need to increase the contribution provided by UNDP in order to continue and expand those activities. He expressed the satisfaction of his country for the forthcoming seminar to be held in his country, aimed at improving and facilitating trade relations with the socialist countries of Eastern Europe.

783. He stressed the importance of information and transparency as a means for the promotion of trade among countries with different systems. His delegation proposed the creation by UNCTAD of a data base available to all partner countries with the political will necessary to expand their trade links.

784. As regards obstacles to the development of trade, he stressed the difficulties encountered in connection with payments and access to credits granted by the socialist countries of Eastern Europe. He was of the opinion that the planned ad hoc group of experts could facilitate co-operation in that particular field.

785. The spokesman for Group B (United States of America) said that his Group had listened with interest to the statements made during the debate in Sessional Committee II. His Group believed that there had been a serious exchange of views regarding the issues before the Committee. In that connexion he stressed that his comments made before the Committee should be viewed in the overall context of Group B's continued interest in all aspects of the UNCTAD secretariat's work.

786. Group B recognized that a significant effort had obviously been made by the secretariat in preparing for the Sessional Committee's work. His Group also recognized a genuine interest on the part of the secretariat in considering new approaches to its work in the light of suggestions made during previous sessions of the Board. Such developments were welcome. However, the secretariat faced difficulties in the preparation of meaningful documentation due, primarily, to the lack of comprehensive and credible trade

and development assistance data from CMEA sources. His Group regarded that as a serious impediment to the work of the secretariat in that field and as a principal cause for the imbalance and lack of focus and objectivity in the secretariat's documentation.

787. His Group believed that the Committee's work should be focused on activities related to the development of a coherent strategy for the stimulation of East-South trade flows. He repeated Group B's readiness to participate actively in the work of Sessional Committee II, in co-operation with the other groups and the secretariat.

788. Referring to the statement of the spokesman for Group D regarding UNCTAD's mandate, he emphasized that UNCTAD's mandate specifically instructed it to avoid duplication of work undertaken by the regional commissions. His Group found it difficult to sympathize with the Group D assertion that there existed an imbalance in United Nations reporting of East-West issues. A great deal had been written recently on East-West issues by a certain regional commission in which the Group B spokesman's country participated. His Group had never suggested that mandates be changed, simply that they be respected.

789. His Group had listened with interest to the comments just made by the representative of the Soviet Union and wished to express his Group's appreciation for the explanation given of the initiatives to be undertaken by the Soviet Union in the field of Soviet trade policy. In the context of the work of Sessional Committee II, Group B would be interested in discussing how those new initiatives would affect East-South trade.

790. A representative of the UNCTAD secretariat, replying to the spokesman for the Group of 77 and his request for the UNCTAD secretariat to provide further information about the results of consultations held by the Secretary-General of UNCTAD with UNDP in conformity with Trade and Development Board decision 321 (XXXI), said that, despite the lack of financial resources, the UNCTAD secretariat, in collaboration with the economic commissions and the International Trade Centre UNCTAD/GATT, had been able in 1985 and 1986 to undertake various training events on an interregional, regional and national basis. Furthermore, with a view to the formulation of a comprehensive programme in that field, fruitful consultations had taken place with the economic commissions and ITC, and it had thus been recognized that UNCTAD should continue to serve as a focal point in that respect.

791. The UNCTAD secretariat had, therefore, undertaken consultations with UNDP for the inclusion of a joint programme in the next UNDP cycle. The UNCTAD secretariat expected a positive response from UNDP in that respect so that UNCTAD would be able to reply favourably, during the fourth UNDP cycle, to the various and numerous requests received from developing countries for technical assistance, particularly for advisory services and the dissemination of practical trade information.

792. The Director of the Division for Trade with Socialist Countries thanked all delegations for their constructive comments on the work of the secretariat and assured them that the secretariat would take account of the suggestions made for its future activities. He wished, however, to refer to one statement which differed from all the others and to comment on the matters raised of direct concern to the secretariat. A year previously, Sessional Committee II had been presented with certain ideas, in connection with which the

secretariat had furnished detailed explanations. Similar ideas had been presented at the current session, but without the degree of argumentation used the year before. For example, reference had been made to the mandate for UNCTAD contained in General Assembly resolution 1995 (XIX) and subsequent resolutions, but that reference had left out the gist of the mandate. Paragraph 3 of part II of the resolution in question stated, inter alia, "The principal functions of the Conference shall be: (a) To promote international trade ... between countries with different systems of economic and social organization, taking into account the functions performed by existing international organizations". That basic resolution, as well as Conference resolutions 15 (II) and 53 (III), obliged the secretariat to tackle issues of East-West trade and economic co-operation within the framework of UNCTAD. The proportional coverage of East-West issues and East-South issues within the overall coverage of trade among countries with different systems had been established in accordance with the general trends existing in the work of UNCTAD. For example, in document TD/B/1103, less than one fifth of the material was devoted to East-West issues. In its statistical annex, only 3 tables out of 23 related to East-West issues. In document TD/B/1104, less than 3 paragraphs out of 52 were immediately related to East-West issues. Some of the background studies had concentrated wholly on East-South issues.

793. Reference had also been made to the "traditional secretariat practice of attributing all problems of international trade to policies of the Western industrialized nations while at the same time avoiding any detailed analysis of the obstacles to trade inherent in the domestic policies of the socialist countries". However, in document TD/B/1103, a large number of paragraphs discussed the socialist countries' problems, for example paragraphs 38, 39, 41, 49, 50, 52, 53, 55, 57, 65 and 104. On the other hand, the paragraphs relating to the trade policy of the developed market-economy countries were much more limited in number, and the information contained therein was minimal in proportion both to the importance of the problem and to coverage of similar topics in documents in other United Nations forums, GATT, IMF, etc.

794. It had further been claimed that the secretariat documentation paid "little attention to the developmental assistance efforts of the socialist countries of Eastern Europe". However, that topic had been covered in such documents as TD/B/912, TD/B/965 and TD/B/1003. The secretariat was not entitled, however, to go beyond the scope of information available, first and foremost, from national sources.

795. It was very difficult to understand the reasons for the concern expressed with chapter III of document TD/B/1103. Minimal scrutiny of the text both provided the reasons for its insertion into the report and revealed the absence of any direct reference to any particular group of countries. It was also difficult to understand how the attitude adopted towards an analytical report of the type contained in document TD/B/1103 could be mechanically applied to a completely different type of document, i.e. document TD/B/1104, or how five background documents, so earnestly requested a year before, could be completely ignored in the same analysis. The secretariat had made a sincere effort to contribute to a multilateral dialogue involving all groups of countries represented in the Committee, and it could not accept the groundless arguments put forward in connection with that effort.

Bilateral and multilateral consultations

796. The Chairman said that, during the current session of the Board, one set of multilateral and 12 sets of bilateral consultations had been held between eight developing countries and six socialist countries. A number of other consultations were also planned to be held in October.

797. With regard to the substantive issues dealt with in the consultations, the interested parties had exchanged views on various issues pertaining to their mutual trade and economic relations and had reviewed ways and means for the expansion of trade and the intensification of economic co-operation. In some consultations, discussions had been held with a view to the establishment of formal and direct trade relations, and in that regard invitations had been extended for visits by trade and economic delegations for further discussions and the eventual conclusion of trade and economic co-operation agreements. Consultations between one developing country and one socialist country had been centred on the question of ratification of a trade agreement which had been concluded some time before but which had not yet been ratified. Bilateral consultations had also been held between one developing country and several socialist countries in which the developing country concerned had discussed items of interest for importation from socialist countries and had submitted a list of products for potential exports. Consultations between another developing country and one socialist country had been mainly concerned with trade in a specific major commodity product of the developing country in question through a barter agreement. Other important issues dealt with during the bilateral consultations included discussions on facilitating the travel of the business community, questions regarding commercial credits, and the intensification of new forms of economic co-operation in various sectors, including co-operation in services.

798. In the multilateral consultations, which had involved one developing country and the socialist countries, the partners had reviewed the final stages of preparation for a national seminar in the capital of the developing country concerned scheduled to be organized later in the year within the framework of UNCTAD's technical assistance programme for the development of trade between the socialist countries of Eastern Europe and developing countries. During those multilateral consultations, the partners had also discussed the prospects for trade and economic co-operation.

799. At the request of a delegation from a developing country, a second round of consultations had been organized between that country and a socialist country. The developing country had informed its partner that the request for the visit of a trade and economic mission from the socialist country, made during the first round of consultations, had been considered as a welcome development by the competent authorities of the developing country and that the mission could travel at any time.

800. Increasing interest was also being shown in consultations between sessions of the Board. In that regard, bilateral consultations had been held the previous year between one developing country and one socialist country during the mid-term global review of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. During those consultations, the developing country in question had submitted an extensive list of projects for the implementation of which it sought co-operation from the socialist-country partner. The partners had also

discussed the possibility of increasing exports of semi-manufactures and manufactures from the developing country. As far as the current year was concerned, the secretariat had already received requests for the organization of a number of bilateral consultations after the current session of the Board.

801. During the current session, the consultation mechanism had been used by countries both as a forum for first contacts and as a forum for consultations among partners which had already established relations. Furthermore, the scope of the issues discussed at the consultations was getting wider. Some of the countries involved in the consultations had discussed the possibilities of new forms of economic co-operation, including co-operation in services.

Action by the Committee

802. At its 4th (closing) meeting, on 10 September 1986, the Sessional Committee decided that the summary by the Chairman, elaborated in consultation with all regional groups and presented with their concurrence (TD/B(XXXIII)/SC.II/L.2), should be incorporated into its report (see annex V).

803. The representative of Colombia, referring to paragraph 6 of the Chairman's summary and to Board decision 297 (XXIX), said that the UNCTAD technical assistance programme should also help improve the negotiating capacity of developing countries interested in trade and co-operation agreements with socialist countries. To that end, the programme should provide for the organization and convening of forums and round-tables to discuss such problems as access to the markets of socialist countries for certain products, the methods used to determine the geographical distribution of import quotas for tropical products, and the conditions of sale for capital goods applied to developing countries. The programme would then be useful not only as a means of diffusion for the trade policies and practices of the socialist countries but also as a way of enabling the developing countries to adapt their trade policy instruments when negotiating with the socialist countries.

804. The Director of the Division for Trade with Socialist Countries pointed out that the negotiations with UNDP on the technical assistance programme had concerned the question of the promotion of trade of the developing countries with the socialist countries of Eastern Europe, as called for in Board decision 321 (XXXI), but they had not involved the question of improving the negotiating capacity of the developing countries within the framework of such trade. It was not clear whether UNDP would wish to take up that question. The UNCTAD secretariat would of course take account of all suggestions made by delegations.

805. Also at its 4th (closing) meeting, the Sessional Committee decided to recommend draft decision TD/B/(XXXIII)/SC.II/L.3 for adoption by the Board.

806. At the same meeting, it adopted its draft report, as contained in document TD/B(XXXIII)/SC.II/L.1 and addenda 1-3, and authorized the Vice-Chairman-cum-Rapporteur to complete the report as appropriate. It also authorized the Chairman to report orally to the Board.

Closing statements

807. The spokesman for Group B (United States of America) said that Group B had consistently urged the secretariat and the Sessional Committee to concentrate future work on issues related to the development of a coherent strategy for the stimulation of east-south trade flows. Group B was encouraged by an emerging willingness to recognize the need to focus the future work of the secretariat and Sessional Committee II towards that end. Group B reaffirmed its view that the success or failure of the Sessional Committee's work in the field in question must be judged primarily by the extent to which that work had facilitated real economic progress in the developing countries. Group B recognized that the secretariat could not accomplish that task alone and it therefore repeated its willingness, as demonstrated during the current session of the Board, to co-operate towards that goal.

808. The spokesman for the Group of 77 (Sudan) said that his Group recognized the difficulties involved in tackling the issue before the Sessional Committee. Nevertheless, despite the circumstances and the sensitivity of the issue, some progress had been made at the current session.

809. The spokesman for Group D (Bulgaria) said that the Sessional Committee had had a useful debate and exchange of views on the issues before it. His Group welcomed the positive results of the session, as set out in the summary of the Chairman. There was an emerging convergence of views that furture work in the field of trade relations among countries having different economic and social systems should aim at generating new impetus and finding new pragmatic approaches to the problem of responding adequately to the changing environment. That was a step in the right direction.

810. The representative of China welcomed the fact that the Committee's work had been completed on schedule and that it had been possible to reach agreement on the Chairman's summary and on the draft decision.

Consideration in plenary

Action by the Board

811. At the 700th meeting, on 10 September 1986, the Board, acting on the recommendation of Sessional Committee II, adopted draft decision TD/B/(XXXIII)/SC.II/L.3 (for the text, see part I above, decision 339 (XXXII). It further decided that the summary by the Chairman of Sessional Committee II, elaborated in concurrence with all groups of countries, on trade relations among countries having different economic and social systems and all trade flows resulting therefrom, should be annexed to its report (see annex V below).

Chapter V

MATTERS REQUIRING ACTION BY THE BOARD ARISING FROM OR RELATED TO REPORTS AND ACTIVITIES OF ITS SUBSIDIARY AND OTHER BODIES

(Agenda item 7)

812. Agenda item 7 was referred to Sessional Committee I for consideration and report.

A. Commodities

813. The representative of the Secretary-General of UNCTAD reported on consultations undertaken by the secretariat on commodities not covered by international agreements or arrangements in pursuance of resolution 22 (XI) of the Committee on Commodities. Recalling that a progress report on these consultations had been made during the thirty-second session of the Board, he stated that the secretariat has pursued its efforts with a view to ascertaining whether there was a perceived need to convene meetings for the commodities concerned. In this regard, some developments had taken place on two commodities, namely bananas and copper. Further informal consultations on the latter commodities were planned within the coming weeks with a view to taking a decision, in the case of bananas, on the convening of a Second Preparatory Meeting to continue work on developmental measures initiated at the First Preparatory Meeting and, in the case of copper, on the convening of an ad hoc review meeting to consider the establishment of an intergovernmental producer-consumer forum for this commodity. For the other commodities involved - bauxite, manganese, phosphates, cotton, hard fibres, hides and skins, and tea - the secretariat was continuing informal consultations with the major producers in order to seek a common understanding on a possible course of action which could lead to the convening of ad hoc review meetings for these commodities.

814. The spokesman for the Group of 77 (Ethiopia), referring to the oral report of the secretariat, stated that little progress had been made on the commodities concerned except for some developments on bananas and copper. His Group welcomed the latter developments and hoped that the consultations on these two commodities would be continued in order to achieve concrete results as soon as possible. He expressed the disappointment of his Group at the lack of progress with regard to the other commodities concerned. His Group was concerned at the budgetary constraints which prevented the conduct of consultations in a serious and effective manner.

815. He reiterated the importance which the Group of 77 attached to international commodity agreements or arrangements aimed at stabilizing export earnings and industrial processing, marketing and distribution of commodities. The current alarming situation in commodity markets justified giving priority to the commodities sector. His Group requested the secretariat to continue more vigourously consultations on the commodities concerned through the convening of producer and/or consumer consultative meetings in Geneva as well as by contacting the relevant government institutions through appropriate means, in order to implement Committee resolution 22 (XI).

816. The spokesman for Group D (USSR) said his Group continued to hold the view that, since commodity markets were in a crisis, UNCTAD must redouble its efforts to further multilateral co-operation between producers and consumers of commodities. He pointed out that no other organization held such a universal mandate in this regard, covering the whole range of primary commodities. Emphasizing the importance of commodities to the world economy, he stated that Group D saw international commodity agreements and arrangements as providing great opportunities for co-operation, moreover, his Group was convinced that new forms of co-operation could be found. As far as the commodities not covered by international agreements or arrangements were concerned, his Group held the view that maximum efforts should be made in order to achieve tangible results in this area before UNCTAD VII. Recent developments for cocoa, wheat, nickel, olive oil and tropical timber, the plans for study groups for tin and for copper, and the expert group on iron ore all provided encouragement and examples of the possibilities for UNCTAD's further work on commodities. In conclusion, he stated that his Group welcomed and supported these UNCTAD activities.

817. The representative of the Food and Agriculture Organization of the United Nations (FAO), reporting on the work of the FAO Intergovernmental Group on Bananas (May 1986) on its ninth session, stated that the Group had reached a consensus that there was a delicate temporary balance in the banana market but that there remained a need for continuous monitoring of the supply/demand situation and to continue to search for ways and means of achieving long-term stability in the market at prices which would be remunerative to producers and reasonable for consumers. The Group had, inter alia, agreed that the Director-General of FAO should approach member Governments to determine whether there was sufficient interest to organize an ad hoc expert consultation on this commodity. The purpose of the consultation, which would draw on experts from both exporting and importing countries, would be to consider the most effective and feasible forms of international action, in the light of likely future market developments, as well as other measures which would help to increase the general economic viability of the world banana economy. The consultation was expected to be convened during the first half of 1987 and would report to the Intergovernmental Group at its tenth session. In conclusion, he stated that FAO continued to help producing countries to evaluate viable policy options for bananas and to provide support in the technical field.

818. The representative of Ecuador, referring to the statement made by the representative of FAO, emphasized the complementary nature of the activities undertaken by FAO and by UNCTAD. She pointed out that this applied to bananas and that UNCTAD's current activities on this commodity were focused on the issue of research and development projects while FAO's activities were addressed to the economic issues relating to this commodity. She underlined the importance of the mandate of UNCTAD for this commodity.

819. The representative of the UNCTAD secretariat, in response to a question asked by the representative of Ethiopia about the work of the Intergovernmental Group of Experts on the Compensatory Financing of Export Earnings Shortfalls, recalled that the Group of Experts had not been able to finalize its work at its session in July 1986. It had therefore decided to recommend that the Board, at its current session, should provide for a second session of the Group of Experts in the second quarter of 1987, which would

report to the Board at a special session, as originally foreseen in Board decision 317 (S-XIV). This matter was dealt with in the note by the UNCTAD secretariat on the review of the calendar of meetings (TD/B/L.807, paras. 19-21).

Action by Sessional Committee I

820. At its 5th meeting, on 5 September 1986, the Sessional Committee took note of the oral report by the representative of the Secretary-General of UNCTAD on the consultations held pursuant to resolution 22 (XI) of the Committee on Commodities.

Consideration in plenary

Action by the Board

821. At the 700th meeting, on 10 September 1986, the Board took note of the oral report of the representative of the Secretary-General of UNCTAD on the consultations held pursuant to resolution 22 (XI) of the Committee on Commodities.

B. Manufactures and semi-manufactures

1. Report of the Special Committee on Preferences on its fourteenth session (TD/B/C.5(XIV)/Misc.2)

822. Introducing the report of the Special Committee on Preferences on its fourteenth session, the Chairman of the Special Committee (Bahrain) said that the Committee had adopted a decision which contained three significant elements. First, the Special Committee had reaffirmed the agreed conclusions adopted at its thirteenth session and urged the full and expeditious implementation of the recommendations therein. He recalled that the agreed conclusions had reaffirmed a number of underlying principles of the GSP and had made specific proposals for its improvement, in particular the need to add products not adequately covered by the schemes, to engage in prompt consultations when modifying the schemes, to study the stability and effectiveness of the schemes, to liberalize and harmonize the rules of origin and to continue providing technical assistance. Secondly, the Special Committee had also decided to recommend to the Board that it reconvene the Working Group on Rules of Origin, as appropriate, in 1987. Thirdly, all Governments had been urged to make contributions in cash or in kind in support of technical assistance activities on the GSP.

Action by Sessional Committee I

823. At its 2nd meeting, on 2 September 1986, the Sessional Committee took note of the report of the Special Committee on Preferences on its fourteenth session (TD/B/C.5(XIV)/Misc.2) and endorsed the decision in annex I thereto.

best copy available

Consideration in plenary

Action by the Board

824. At the 700th meeting, on 10 September 1986, the Board took note of the report of the Special Committee on Preferences on its fourteenth session and endorsed decision 8 (XIV) of the Committee in annex I thereto (TD/B/C.5(XIV)/Misc.2) - to be issued in printed form as Supplement No. 2 to the Official Records of the Trade and Development Board Thirty-third session (TD/B/1105-TD/B/C.5/108).

2. Report of the Committee on Manufactures on its eleventh session (TD/B/C.2(XI)/Misc.2)

825. In the absence of the Chairman of the Committee on Manufactures, a Vice-Chairman (Yugoslavia) introduced the report of the Committee on its eleventh session. He recalled that the Group of 77 had tabled a draft decision on the work programme of the Committee and the implementation of resolutions and decisions bearing upon its work. Despite the very useful exchange of views, it had not proved possible, regrettably, to reach full agreement on a text for adoption by the Committee.

Action by Sessional Committee I

826. At its 2nd meeting, on 2 September 1986, the Sessional Committee took note of the report of the Committee on Manufactures on its eleventh session (TD/B/C.2(XI)/Misc.2).

Consideration in plenary

Action by the Board

827. At the 700th meeting, on 10 September 1986, the Board took note of the report of the Committee on Manufactures on its eleventh session (TD/B/C.2(XI)/Misc.2 - to be issued in printed form as Supplement No. 3 to the Official Records of the Trade and Development Board Thirty-third session (TD/B/1106-TD/B/C.2/226)).

READEX FICHE

Chapter VI

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 8)

A. Specific action related to the particular needs and problems of land-locked developing countries (agenda item 8 (a))

828. Agenda item 8 (a) was referred to Sessional Committee I for consideration and report.

829. Introducing this item, the Chief of the Special Programme for Least Developed, Land-locked and Island Developing Countries said that the secretariat report entitled "Progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries" (TD/B/1107 and Add.1) was based on the information supplied by Governments and international and intergovernmental organizations on the action they had taken and the policies they had adopted or envisaged for implementing Board resolution 319 (XXXI). Some major donor countries had stated that they did not recognize the land-locked countries as a special category requiring a special assistance programme, although all donors agreed that these countries did face particular problems as a result of their geographical handicaps and needed assistance to overcome them.

830. He said that a number of United Nations bodies and intergovernmental organizations - in particular the regional commissions, UNDP and UNCTAD - were implementing technical assistance programmes to assist these countries in the improvement of transit-transport infrastructures and services. Co-operative arrangements between land-locked countries and their transit neighbours played a very important role in the improvement of the transit-transport system and he believed that such arrangements should be strengthened. Although many of the transit countries were also developing countries with limited resources, they had demonstrated considerable political will to promote joint efforts to improve the transit-transport situation at subregional levels.

831. He observed that the pattern of sectoral allocations of assistance indicated that donors were now giving more attention to the transport and communications sectors. As to the level of assistance, he noted that total ODA concessional flows to these countries had marginally increased during the past five years. However, the current flow of resources was inadequate to meet the growing requirements of land-locked countries. The problems of the land-locked countries in sub-Saharan Africa had been aggravated by the economic and social crisis, which had led to a drastic reduction in incomes in these countries and to a deterioration in their transit-transport facilities. Accordingly, more deliberate efforts needed to be made by land-locked countries and their transit neighbours, with the full support of donor countries and institutions, to solve the difficult transit-transport problems facing the land-locked countries.

832. The representative of Bhutan commended the manner in which the representative of the UNCTAD secretariat had presented the report on "Specific action related to the particular needs and problems of the land-locked developing countries" (TD/B/1107 and Add.1). Referring to the observations made in the report, he noted that the response of the international community

regarding the actions it had taken on behalf of the land-locked countries had been fairly diverse. He noted, however, that the majority of the main donor countries did not recognize the land-locked developing countries as a special category of countries for which they had established a separate assistance programme. In spite of this, all donors still agreed that this group of countries, many of which were also least developed, faced special problems arising from their geographical handicaps.

833. He pointed out that Bhutan's development constraints included lack of financial resources, a very limited domestic resource base, lack of skilled manpower, transportation difficulties and poor physical infrastructure. These constraints were compounded by the country's geographical situation. Because of all these problems, his country was very dependent on external assistance.

834. He commended the role of the UNCTAD secretariat in mobilizing international support in favour of land-locked developing countries. Referring to the recent UNCTAD mission to the land-locked countries and their transit neighbours in the Asian region to identify technical assistance requirements, he expressed the hope that resources would be made available for follow-up action. Finally, he called on all States members of UNCTAD to continue to inform the Secretary-General of UNCTAD of the actions they were taking in favour of the land-locked developing countries.

835. The spokesman for Group D (Union of Soviet Socialist Republics) said that socialist countries had always supported UNCTAD activities related to the land-locked developing countries and that these activities were useful. He considered, however, that the regional commissions of the United Nations should play a more active role in solving the economic problems of the land-locked developing countries because these problems were mainly of a regional nature.

836. He said that, in pursuance of various UNCTAD resolutions, the Group D countries were providing economic assistance, particularly on a long-term basis, within the framework of intergovernmental agreements. This assistance was mainly focused on the development of transport and communications, training and development of the export sector and its diversification. The assistance was provided in accordance with national development programmes in these countries. His Group believed that greater participation of the member States of UNCTAD in the 1965 Convention on Transit Trade of Land-locked States could contribute to the solution of the problems related to transit-transport.

837. Referring to the report submitted by the UNCTAD secretariat, he said that it should not only have been limited to the compilation of replies sent by member countries but that it should also have contained proposals by the secretariat regarding the implementation of the various resolutions on this subject. He felt that, in preparing such reports, the secretariat should use information available, particularly that related to the land-locked least developed countries.

838. The representative of Nepal expressed appreciation of the report prepared by the UNCTAD secretariat (TD/B/1107 and Add.1). He said that the main problems facing land-locked developing countries included extreme structural weaknesses, high-cost production, poor resource base, low share of manufacturing in GDP, remoteness from the sea and world markets, inadequate transit-transport infrastructure, high transportation costs, inadequate port

and storage facilities and shortage of skilled manpower. He emphasized the important role of international co-operation in overcoming these problems. Such international support was crucial not only for national development but also for the survival of land-locked developing countries as nations.

839. He expressed appreciation for the role UNCTAD was playing in mobilizing international support and for the assistance that was being provided by donor countries and international bodies to the land-locked developing countries. He noted, however, that the support so far provided was still inadequate to meet the requirements of these countries. The report by the secretariat pointed out that the cumulative effects of massive shortfalls in production and incomes had seriously eroded the resource base of land-locked developing countries, which had had not only to abandon planned infrastructure projects but also to scale down substantially even the essential transit-transport services. He requested the Secretary-General of UNCTAD once again to invite Governments, international organizations and intergovernmental organizations to provide information on the action they had taken in favour of land-locked developing countries and to implement fully and expeditiously all relevant UNCTAD and General Assembly resolutions on these countries.

840. He also noted with particular interest the observations made in the secretariat report on the pattern of sectoral allocation of assistance by the donor countries, whereby the priority given to overall economic and social development, to the transport and communications sectors and regional development programmes was highlighted. Lastly, he expressed appreciation for the recent initiative of the UNCTAD secretariat in sending a mission to land-locked and transit countries of Asia and the Pacific region to identify technical assistance requirements in the transit-transport sector of these countries.

841. The representative of Bolivia recalled that his delegation had dealt at length with the specific needs and problems of land-locked developing countries at several previous sessions of the Board and the General Assembly. Bolivia had no access to the sea coast for historical reasons. Although this matter lay outside the competence of UNCTAD, the general problems facing land-locked developing countries, particularly those related to physical infrastructure, had been dealt with by UNCTAD and in the General Assembly. The land-locked developing countries needed international support to compensate them for the particular problems which they faced. Support for projects to improve transport infrastructure was essential to the development of these countries.

842. He requested that the Board refer to the General Assembly the report prepared by the UNCTAD secretariat on this item. Furthermore, he proposed that the issue related to the particular needs and problems of land-locked developing countries should be on the agenda for UNCTAD VII. Finally, he expressed full support for the statement by the representative of Nepal.

843. The representative of China said that the majority of the land-locked developing countries also belonged to the category of least developed countries recognized by the United Nations. These countries not only had a weak economic base but they also faced particular problems related to their unfavourable geographical situation. He noted the role played by UNCTAD, and by international and intergovernmental organizations, in support of the land-locked developing countries. China had always expressed its concern and

sympathy for the problems which land-locked developing countries faced and had continued to support these countries within the framework of economic co-operation among developing countries. Although China was a developing country and its economic level was low, it had nevertheless provided assistance to 14 land-locked developing countries, and 1 neighbouring land-locked country was using Chinese seaports for transit of goods. China was willing to provide other neighbouring land-locked countries with facilities for transit. Finally, he said that, although a number of countries were providing assistance to land-locked developing countries, this assistance was still inadequate. China was therefore willing to co-operate with other countries in making further efforts in this respect.

844. The representative of the Food and Agriculture Organization of the United Nations (FAO) noted that the projects submitted to donors by mid-July 1985 for rehabilitation in drought-affected land-locked African countries amounted to $US 71 million. He pointed out that the cost of the 100 rehabilitation projects, of which 70 per cent was covered by donors, should be adjusted accordingly. Paragraph 44 of the secretariat report (TD/B/1107) should be amended to reflect this adjustment.

Action by Sessional Committee I

845. At its 2nd meeting, on 2 September 1986, the Sessional Committee took note of the report submitted by the UNCTAD secretariat on this item (TD/B/1107 and Add.1).

Consideration in plenary

Action by the Board

846. At the 698th meeting, on 3 September 1986, the Board took note of the report by the UNCTAD secretariat entitled "Progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries" (TD/B/1107 and Add.1).

B. Export promotion: report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its nineteenth session (agenda item 8 (b))

847. The Chairman of the Joint Advisory Group, introducing the Group's report on its nineteenth session, (ITC/AG(XIX)/104 and Add.1, distributed under cover of TD/B/1109), said that, in his introductory statement at that session the Executive Director of ITC had expressed the hope that, with the increased resources available in 1986 - the largest ever recorded in the history of ITC - the Centre could expand its technical co-operation activities above the level of the last few years. The Group had supported the objectives pursued by ITC in 1985 and had expressed the wish that the Executive Director continue efforts to obtain extra-budgetary resources for increased support to ITC at a time when the expansion of export earnings was essential for developing countries to alleviate their heavy obligations regarding foreign debt servicing. The Group had welcomed with interest the progress made by ITC in realizing its programme towards a stronger result orientation and underlined the concrete benefits that would accrue to developing countries from an ITC programme that emphasized the practical trade promotion issues daily confronted by them.

848. Reviewing programme areas which had received special attention from the Group, he said that with regard to export market development, the Group had felt that ITC should give further attention to effective dissemination of its market surveys and reports. Particular attention had also been given to current efforts by ITC to expand its assistance activities in technical consulting services. ITC had been encouraged to explore ways and means of helping developing country exporters of technical consulting services to avail themselves of the relevant information on contract bidding at the earliest possible stage.

849. The Group had noted with concern that resource constraints appeared to limit ITC technical co-operation efforts in commodities but that the Centre was looking forward to an expansion of its technical co-operation activities in this area from 1986 onwards as a result of current efforts to formulate projects and to look for financing of such projects. The Group had considered that ITC technical co-operation in support of small and medium-sized enterprises (SMEs) was of particular significance to the export development programmes of most developing countries. The Group had underlined the importance of manpower development to the current and future trade promotion efforts of developing countries and had expressed satisfaction with the manner in which the recommendations of the Group's 1985 programme evaluation were being implemented. The strong and growing interst of developing countries in import operations and techniques had led to an expansion of ITC activities in this area. The Group had also noted that the programme's impact on LDCs, which faced critical foreign exchange shortages, was decisive. The Group had considered that further expansion was required in ITC's programme of technical co-operation with LDCs and that further efforts should be made in this respect.

850. Referring to evaluation, he stated that the programme evaluation discussed by the Group had concerned export financial services. The Group had endorsed the report's findings and agreed that ITC should play an expanding role in this important area. The Group had also discussed and endorsed the proposed revision of the ITC section in the United Nations Medium-Term Plan 1984-1989. He added that it had been agreed that, to effect cost savings, future meetings of the Group should be shortened to five working days.

851. Concluding, the Chairman recalled the encouraging statements made at the Group's session regarding trust fund contributions to ITC. He informed the Board that a number of new donor countries had joined the list of voluntary contributors this year, namely: Bangladesh; Czechoslovakia; Greece; Indonesia; and Spain.

852. The spokesman for the Latin American Group (Uruguay) underlined the significant role played by ITC in the promotion of exports from developing countries at a time when they were facing a critical economic situation. He welcomed the Centre's efforts with respect to commodities in pursuance of Conference resolution 158 (VI), and in relation to the development of South-South trade through an interregional project. In Latin America, ITC was implementing 15 national projects, various regional projects, and one interregional project. He stressed the importance the region attached to the strengthening of the Latin American Trade Information Network (RELIC) and said that the Latin American countries supported the co-ordination efforts made by ITC with the Latin American Economic System (SELA) in order to study the continuity of trade information services as noted in paragraph 51 of the Group's report. There were other areas in which the region had expressed

interest, such as international physical distribution of goods at the interregional level (paragraphs 78 to 80) and countertrade (paragraphs 132 to 137). He drew attention to the increase in number of developing countries making voluntary contributions to ITC's technical co-operation programme. Concluding, he said that the Latin American countries considered that the Board should invite trust fund donor countries to announce new voluntary contributions to ITC for the development of its activities.

853. The representative of Sweden, speaking also on behalf of Denmark, Finland and Norway and referring to ITC's financial situation, said that the importance of ITC activities made the mobilization of additional resources necessary. This had been recognized in Belgrade 1983, in Conference resolution 158 (VI) on Strengthening of the International Trade Centre UNCTAD/GATT, particularly in relation to commodities. The resolution, inter alia, requested ITC to enlarge its programme for the provision of technical assistance for developing countries, in particular the least developed among them, in market research, market development and promotion in the commodity field. The Nordic countries had actively supported the establishment of a new commodity programme in ITC.

854. The Nordic countries, being major donors to ITC, were encouraged by the fact that at the nineteenth session of the Joint Advisory Group many donor countries had announced that they would increase their contributions to ITC and its new commodity programme. They were also encouraged by the fact that additional developing countries had announced contributions to ITC. It was imperative that more resources be made available to enable ITC to increase its programme of assistance to developing countries. The Nordic countries therefore renewed their appeal to other countries to contribute or increase their contributions to ITC's operational activities.

855. The spokesman for Group D (Germany Democratic Republic) said that the countries of his Group had always considered that ITC's activities in relation to the promotion of exports of developing countries were an important contribution to the overall economic development of these countries, the expansion and strengthening of international trade and economic co-operation. Group D, however, felt that the development of trade and economic co-operation between developing and socialist countries was still not adequately reflected in ITC's activities. The fact that no projects were being implemented which were designed to promote, in practical terms, the developing countries' exports to socialist countries, as well as the inadequate level of representation of experts from the socialist economic school in the ITC secretariat and in field posts, hampered the establishment of effective co-operation between these two groups of countries within the framework of ITC.

856. He expressed his Group's appreciation of the efforts made by ITC, in the light of the so-called financial crisis within the United Nations, to use available resources effectively and economically. The secretariat should be aware that economy measures should affect neither the organizational nor the substantive sphere of ITC activities.

857. The spokesman for the Asian Group (Bangladesh) commended ITC's crucial role in promoting and developing exports from developing countries. Since its establishment in 1964, the Centre had done a commendable job in different areas of export promotion, including building up national institutional infrastructure, export market development, specialized national trade

promotion services, manpower development for trade promotion, improved import operations and techniques, development of small and medium-sized enterprises for export, increased co-operation with national chambers of commerce and other bodies, greater emphasis on technical co-operation among developing countries, expanded trade with socialist countries and its special programme of technical co-operation with the least developed countries. ITC's increased collaboration with other relevant international agencies had also been a positive development during the recent years.

858. At the Group's nineteenth session, the programme of the Centre in the Asia and Pacific region had come up for detailed discussion during the review of ITC's technical co-operation activities. In 1983, a total of 54 projects, including five regional and three subregional projects, were under implementation in the region. Their impact had been impressive and had contributed significantly to the export development capacity of the countries of Asia and the Pacific.

859. While ITC had done a commendable job in the expansion of exports of the countries of this region, the Asian Group felt that further strengthening of ITC's programme in this region was necessary to meet the growing requirements. A detailed discussion had also taken place on the evaluation report on the subprogramme on export financial services. The developing countries appreciated the increased importance being given to this particular aspect of trade promotion and stressed the need for further strengthening ITC's role in the area of export finance.

860. They fully endorsed ITC's proposal for the continuation of the evaluation exercise in respect of supply and demand surveys, national trade representation services and market advisory services in the next few years. Evaluation of these subprogrammes should enable ITC to make its technical co-operation more effective for the developing countries. As to ITC's efforts in the promotion and development of exports of primary commodities, in response to UNCTAD resolution 158 (VI), the collapse of commodity prices and weakening of markets of commodities and semi-manufactured items produced by the developing countries, including the least developed among them, made it appropriate not only to continue ITC's efforts in this area but also to intensify them.

861. The Asian Group had noted with appreciation the increasing interest of the donor countries in ITC and gratefully acknowledged the contributions pledged to ITC during the current year. However, the level of resources committed so far fell short of the requirement of ITC to fulfil its mandate, particularly in view of increasing demand for technical assistance from the developing countries. The Asian Group therefore joined the appeal made by others for substantially increased contributions from the traditional donors as well as others, to enable the Centre to realize fully the objectives for which it had been established.

862. The spokesman for the African Group (Egypt) paid tribute to the efforts made by ITC to promote and develop exports from developing countries. His Group welcomed the fact that ITC was implementing a large number of programmes in the African continent with a view to developing their exports and rationalizing their imports as well as providing training to the government officials working in the foreign trade sector. In this connection he emphasized ITC's activities under the Special Programme of technical co-operation with the least developed countries.

863. Expressing gratitude for the pledges announced at the Group's session, he recalled Board decision 299 (XXIX) inviting governments to announce voluntary contributions to the Centre for its activities in 1985 and 1986. He urged the countries which had not yet announced their contribution to do so as soon as possible.

864. He called upon ITC to further strengthen its programme of technical co-operation with a view to promoting trade among developing countries and to expanding developing countries' exports to enable them to increase their export earnings and to finance their economic development programme.

Action by the Board

865. At the 698th meeting, on 10 September 1986, the Board took note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its nineteenth session (TD/B/1108 - ITC/AG(XIX)/104 and Add.1) and of the comments made thereon.

C. Progressive development of the law of international trade: nineteenth annual report of the United Nations Commission on International Trade Law (agenda item 8 (c))

866. At the 694th meeting, on 3 September 1986, the President drew attention to the nineteenth annual report of the United Nations Commission on International Trade Law (UNCITRAL) (A/41/17 circulated under cover of document TD/B/1109).

867. The spokesman for the Group of 77 (Uruguay), noting that the UNCITRAL report described efforts undertaken on the draft convention on International Bills of Exchange and International Promissory Notes, said that his Group shared the view expressed in the report that standards in electronic funds transfers should be flexible.

868. Referring to chapter III of the report on the New International Economic Order (paragraphs 235-243) he said that, while he understood that UNCITRAL could not examine more than one subject concurrently, he wished to reiterate the interest of his Group in the efforts pursued in determining and solving legal difficulties facing trade compensation.

869. He also emphasized the work done on the liability of operators of transport terminals (chapter IV), in particular the collaboration between UNCITRAL and the UNCTAD secretariat. He stressed that such joint action should continue.

870. Finally, with regard to co-ordination of work (chapter V), he noted the current activities of international organizations related to the harmonization and unification of international trade law and in the field of international commercial arbitration, as well as the work accomplished on legal aspects of automatic data processing and the status of conventions.

Action by the Board

871. At the 698th meeting, on 8 September 1986, the Board took note of the report of the United Nations Commission on International Trade Law on its nineteenth session (TD/B/1109 - A/41/17) and of the comments made thereon.

Chapter VII

PROGRAMME EVALUATION IN UNCTAD

(Agenda item 9)

872. Agenda item 9 was referred to Sessional Committee I for consideration and report.

873. Introducing this item, the Chief of the Programme Co-ordination and Evaluation Unit said that the second annual report on programme evaluation prepared by the Secretary-General of UNCTAD (TD/B/1110) provided further information on the purpose and nature of management-oriented evaluation in UNCTAD and on the coverage and results of the ten individual self-evaluation studies undertaken by the secretariat, with particular reference to the lessons drawn and the recommendations for follow-up action. The report was confined to management-oriented evaluation in UNCTAD, which was one of two parallel and mutually-reinforcing processes, the other being policy-oriented evaluation at the intergovernmental level. The system of management-oriented evaluation relied on a combination of self-evaluation and internal independent evaluation. For the purpose of self-evaluation, a common framework of basic features had been developed, taking into account General Assembly resolutions 32/234 and 38/237 and the rules formulated by the Secretary-General of the United Nations. In developing the methodology, every effort had been made to ensure that the internal evaluation system contributed to an integrated management process and that it met certain standards of credibility and rigour.

874. The results of the 10 self-evaluation studies included in the evaluation plan for 1986, although not fully satisfactory, were quite encouraging, particularly in view of the novel nature of the exercise in UNCTAD and the relatively limited experience of the United Nations system in the evaluation of Headquarters' substantive programmes. The self-evaluation studies contained a number of useful conclusions and recommendations. However, beyond the individual findings and the significance of the various self-evaluation studies, it was necessary to emphasize the fact that an important process had started in UNCTAD with the objective of contributing to improved management. There was now a greater appreciation in the secretariat of the value of self-evaluation as a process of self-scrutiny, adaptation and improvement, which could contribute to enhancing the effectiveness of its work in terms of both its implementation and outcome. The results also demonstrated the serious commitment of the secretariat to using internal evaluation as a management tool.

875. Referring to the follow-up to the individual self-evaluation studies, he said that they had been subjected to a process of detailed review and appraisal which was continuing. However, some preliminary general conclusions had already emerged both on the improvement of the internal evaluation process - in particular the need to make it an action-oriented, rather than a bureaucratic, exercise - and on areas for follow-up action. The modalities for giving effect to those conclusions, as well as to the more specific recommendations in the individual reports, had been discussed at the internal review meetings, which had also identified other specific actions to be taken. At the end of the internal review process, a consolidated list of actions to be taken would be established for the consideration of the Secretary-General of UNCTAD and his senior colleagues.

876. In conclusion, he emphasized the following:

(a) An internal evaluation system had been established in UNCTAD, in compliance with the relevant General Assembly resolutions. The combination of self-evaluation with internal independent evaluation had proved to be useful and operational.

(b) The results of the first round of internal evaluations had proved their value. It was recognized by programme managers themselves that the benefits of the exercise extended beyond the tangible results. However, there was still much scope for improvement.

(c) Management-oriented evaluation was an internal secretariat exercise. The annual reports of the Secretary-General of UNCTAD were presented to Governments for their information. However, the secretariat would welcome the views and comments of Governments which could help the secretariat to strengthen this important management tool.

877. The spokesman for Group B (United States of America) welcomed the secretariat report (TD/B/1110). It represented the first step towards what was expected to become an important element in UNCTAD's overall operations, i.e. an ongoing evaluation programme that would be complete, comprehensive and effective. The report contributed to the objective shared by all member States of enhancing the relevance, effectiveness, usefulness and impact of the work programme of UNCTAD. The work carried out by the Programme Co-ordination and Evaluation Unit (PCEU) convinced his Group that UNCTAD now accepted the idea that programme evaluation, carried out in the proper spirit and environment, represented a positive step towards improving the functioning of the organization and making its work more relevant and productive. The "self-evaluation" exercise carried out during 1985/86 was a start. It should be critically reviewed with the aim of contributing to more effective and productive evaluations in the future. While a detailed review of the evaluation programme would take place at the forthcoming session of the Working Party on the Medium-term Plan and the Programme Budget, some preliminary points could be raised at this stage.

878. First, while "self-evaluation" could be useful in the improvement of programme performance, its usefulness was limited and its validity depended heavily on: (a) relating achievements directly to objectives, and (b) developing substantial and convincing evidence, including quantifiable data, where possible, and presenting this information in the reports. Neither of these elements was apparent in the self-evaluation reports. As for relating achievements to objectives, the first step needed was the improvement of the preparation of the Medium-term Plan and the Programme Budget. In this connection, the objectives of the secretariat would need to be improved by restricting them in scope and focusing them more sharply so that the activities of the secretariat could be more clearly designed to achieve them. The objectives would also need to have a "time span", ideally the time span of a given Medium-term Plan and Programme Budget. The secretariat could draw useful guidance in this respect from the Joint Inspection Unit (JIU) report, entitled "Report on programming and evaluation in the United Nations" (A/33/226), which elaborated on the way time-limited objectives could be developed. Careful attention to JIU's work in this area would also contribute to identifying areas of actual and potential overlap and the avoidance of duplication of work. The results of the work of the Group of High-level

Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations (Group of 18), to be considered at the forty-first session of the United Nations General Assembly, should also be reflected in the future evaluation work in UNCTAD. Further, the preparation of objectives should include the identification of "indicators", which would allow for continuous monitoring of programme implementation. The Secretary-General of UNCTAD himself recognized that additional or improved indicators might be needed. In this regard, his Group would request the secretariat to supply to members of the Working Party on the Medium-term Plan and the Programme Budget information on the indicators used in the self-evaluation process. Finally, the resulting data and experience of the first round of self-evaluations should contribute to future cross-programme analyses leading to better efforts to establish programme priorities.

879. With respect to quantifying achievements, more detail would have been useful and would certainly be required in future reports. The summaries of the self-evaluation reports made a number of assertions. All of them might be true but there was little empirical evidence in the summaries to support them. The assertions made, for example, by the programmes on transfer of technology and on trade facilitation, concerning changes effected or problems solved, and the claims made, for example, by the programmes on ECDC and trade among countries having different economic and social systems about the good quality of their outputs indicated the kinds of questions that would need to be addressed jointly by member States and the secretariat.

880. Group B considered that any form of internal evaluation must be balanced by external evaluation. Any comprehensive evaluation programme, if it was to be truly effective, must have the benefit of outside analysis. Group B expected that, as the Programme Co-ordination and Evaluation Unit continued its work, it would pay careful attention to building into its overall programme an element of external evaluation. This would contribute to strengthening the PCEU, a goal that Group B supported, and to refining the methodologies employed by UNCTAD.

881. He stressed that evaluation was not an end in itself. Evaluation exercises that did not lead to productive change were meaningless and detracted from the credibility of the entire system. A passive evaluation programme ran the danger of becoming a self-congratulatory or a "compliance" exercise, in which minimalist standards were set and therefore easily achieved. In this respect, he welcomed the suggestion of the secretariat to undertake a readership survey of UNCTAD documents. Such an exercise, if planned and carried out properly, could be extremely helpful and lead to beneficial changes.

882. He said that none of the questions and comments should in any way be seen as detracting from the good start made by the secretariat and, in particular, by the PCEU. Group B was confident that the PCEU and other elements of the secretariat were prepared to refine and improve the system of evaluation, since all shared the same goal of making UNCTAD's work as effective and relevant as possible. Group B was pleased to join with others in noting the report prepared for this session of the Board and looked forward to continuing its close collaboration with the secretariat and the PCEU.

883. The spokesman for Group D (German Democratic Republic) said that his Group appreciated the establishment of a system of management-oriented evaluation in UNCTAD and thanked the secretariat for the information submitted in TD/B/1110. He recalled that the Programme Co-ordination and Evaluation Unit had been set up specifically to implement an internal evaluation system as part of the overall planning, programming, budgeting, implementation, monitoring and evaluation process. Its activities would lead to improved management and greater efficiency in the secretariat's work. The activities related to the implementation of the evaluation plan for UNCTAD for 1986, as well as the conclusion drawn from this exercise and reflected in TD/B/1110, represented the secretariat's contribution to the confidence-building process between the secretariat and the States members of UNCTAD. Group D would appreciate the continuation of the PCEU's work along the same lines.

884. For the future work, Group D reiterated its previous view, also confirmed by the content of TD/B/1110, that less self-evaluation studies should be undertaken, having in mind the resources available. The quality of internal evaluation would thus be improved. His Group looked forward to further deliberations on this subject at the twelfth session of the Working Party on the Medium-term Plan and Programme Budget.

885. The spokesman for the Group of 77 (Brazil) recalled that his Group, at the thirty-first session of the Board, had welcomed the commitment of the secretariat to the establishment of a system of management-oriented evaluation in UNCTAD. The secretariat report (TD/B/1110) provided evidence of the attachment of the secretariat to that commitment. The Group of 77 considered the system of management-oriented evaluation to be an important instrument of the Secretary-General of UNCTAD to increase the efficiency of the secretariat. The Group recognized the internal character of the exercise and appreciated the efforts of the Secretary-General to achieve transparency. An adequate knowledge of the management performance in UNCTAD was of great value to Governments in exercising their duty of policy-oriented evaluation of the organization. The combination of activities of self-scrutiny by the individual programmes and subsequent examination of such activities by the Programme Co-ordination and Evaluation Unit allowed for a broad appraisal of both the quantitative and qualitative aspects of programme performance. Future reports might include a résumé, as appropriate, of those substantive comments referred to in paragraph 11 of TD/B/1110 which were of interest to Governments. His Group appreciated the frankness to be found in the self-evaluation studies of certain programmes, which recognized that their work had not been fully satisfactory. A clearer position of the member Governments on different issues would be helpful in this regard. The presence of criticism in the report was to be encouraged as the best way for improvement.

886. The Group of 77 took note of the recommendations for follow-up action under the various programmes and subprogrammes, particularly those addressed to Governments. These recomendations could be examined in the main Committees concerned and in the Working Party on the Medium-term Plan and the Programme Budget. The Group of 77 also welcomed the announcement of the intention of the secretariat to carry out another round of self-evaluation studies in 1987. It hoped that future reports would give importance to the examination of the qualitative aspects of the work undertaken within the various programmes of UNCTAD. It was the Group's understanding that the exercise was closely connected with the attainment of the basic objectives of UNCTAD and

that it was in this framework that further work would be carried out. The Board and its subsidiary bodies, including the Working Party on the Medium-term Plan and the Programme Budget, should be kept informed of the results of the work in this area.

887. The representative of China expressed appreciation of the work undertaken by the Programme Co-ordination and Evaluation Unit, which was conducive to improving UNCTAD's efficiency and to identifying new orientations in the activities of the organization. Programme evaluation was a relatively new area of work but the first results of this exercise, as contained in TD/B/1110, were good. He hoped that the PCEU would refine its work and make an increased contribution to UNCTAD's efficiency. He stressed the need for the timely issuance of documents in accordance with the six-week rule, and his delegation hoped that the work of the PCEU would contribute to improvements in this area.

Action by Sessional Committee I

888. At its 2nd meeting, on 2 September 1986, the Sessional Committee took note of the report on programme evaluation submitted by the Secretary-General of UNCTAD (TD/B/1110).

Consideration in plenary

Action by the Board

889. At the 700th meeting, on 10 September 1986, the Board took note of the report by the Secretary-General of UNCTAD on "Programme evaluation in UNCTAD (TD/B/1110) and of the comments made thereon.

Chapter VIII

CLOSING STATEMENTS AT THE FIRST PART OF THE THIRTY-THIRD SESSION OF THE BOARD

890. The spokesman for the Group of 77 (Colombia) stated that the current session had marked a new point of departure for UNCTAD; his Group was optimistic in observing the renewed faith in the objectives and ideals of the organization. There was further reason for optimism in the fact that pragmatism and understanding among groups had replaced confrontation and stagnation by dialogue. The Group of 77 was also gratified at the progress in working procedures represented by the decision on rationalization.

891. He emphasized the importance and value of the debate on interdependence, debt and development, noting that the President's summary of it (annex II) was proof of UNCTAD's significance as a forum for discussion of such questions and orienting policies. Delegations were indebted to the secretariat for the valuable Trade and Development Report, 1986 which had guided that debate.

892. The Group of 77 was gratified, too, by the progress in the discussion in Sessional Committee II of agenda item 6. This serious and full debate was reflected in a summary by the Chairman of the Committee, prepared jointly by all groups. His Group looked forward to the convening of the ad hoc group of experts in January 1987, which would contribute to greater understanding, and also hoped that the secretariat would formulate proposals to promote trade and economic co-operation among countries with different economic and social systems. He urged UNDP to lend its support to UNCTAD's programme of technical assistance to developing countries in their trade and economic co-operation with the socialist countries in the cycle 1987-1991.

893. The Group of 77 was fully conscious of the difficulties encountered and the concerns expressed by various groups in the negotiation of the agenda for UNCTAD VII but the lesson to be drawn was a positive one: the outcome demonstrated the serious attitude of all groups to UNCTAD VII and was a faithful reflection of their intention to make the Conference fruitful, successful and equal to the demands of the critical situation of the world economy and the immense problems facing the developing countries.

894. States could now begin the real preparations with optimism, confident of the co-operation of all groups in striving to achieve the goals for which UNCTAD had been established.

895. In this connection the Group of 77 wished to pay special tribute to the Secretary-General of UNCTAD for his indefatigable leadership in the negotiation and to assure him of its support at the outset of the preparations for the Conference.

896. The spokesman for Group B (Australia) observed that the Board had taken two important decisions at its current session that would affect the future working of UNCTAD.

897. It had decided to provide for greater rationalization of its work and for improved continuity in its style of work by arranging it in one annual session consisting of two parts. It had taken considerable effort to reach this point, and the practical effects of the decision naturally awaited assessment

at a future Board. One point of real importance to Group B nevertheless, was the apparent indication that efforts to increase the value and effectiveness of UNCTAD did not fall on barren ground.

898. The most important step taken at the current session was the adoption of the agenda for UNCTAD VII. Group B had indicated on a number of occasions that it saw UNCTAD VII as a watershed for the substantive work of the organization. UNCTAD must continue to rebuild its credibility as a multilateral forum for the discussion and analysis of trade and development questions.

899. The foundations had been laid during the current session for a more realistic, more effective and more credible style of work in the future. Much of the credit for this must go to the Secretary-General who had been able, at critical moments, to play an important role in facilitating the negotiations.

900. Group B considered that the compromise arrived at was a positive one, which would constitute a good basis for the further preparations for the Conference.

901. These preparations were not completed and it was essential that a constructive attitude to the problems at hand remain the aim in future.

902. As to the dates for UNCTAD VII, Group B appreciated that it was very desirable for the Secretary-General to be able to plan his work in an orderly way, and that he must therefore have a predictable timetable, but it also recognized that the final decision did, in fact, rest with the General Assembly. In this context, Group B hoped that an overlap with the Economic and Social Council could be avoided.

903. The spokesman for Group D (Bulgaria) said that his Group noted with satisfaction the adoption of decision 341 (XXXIII) containing the provisional agenda for UNCTAD VII, together with some understandings concerning the substantive items in it, thus opening the way for thorough substantive preparations by the regional Groups and the secretariat.

904. The understandings were the subject of a delicate and long-negotiated compromise to meet the standpoints and aims of the different regional groups and China.

905. In Group D's opinion, the logic of the corresponding interpretation ought to have followed the formulation of the items in the chapeau of the provisional agenda. At the same time, Group D believed that when assessing the present economic trends due account should be taken of the respective roles of all sectors in development, in accordance with the dimensions and priorities of national economic strategies in the various countries.

906. The second set of results of the current session dealt with the work in the field of trade relations among countries having different economic and social systems. The positive outcome of the debate in Sessional Committee II had been reflected in the Chairman's summary, and Group D concurred with the approach to the effect that the future work in this field should be aimed at generating, implementing and finding new pragmatic ways and means to adequately respond to the challenges of the present international economic environment. As to rationalization, Group D hoped that, in putting

decision 338 (XXXII) into effect, all would contribute to the viable rationalization of the Board's work and enhance its effectiveness and, in parallel, would seek to make sure that the new patterns would not prove to be detrimental to the substantive work of the Board in any field of UNCTAD's activities. At the same time it was necessary to ensure that the distribution of working bodies for any part of the session be so structured that delegations were able to efficiently cover all of them.

907. The representative of China was gratified that, as a result of intensive consultations and despite the opposition of one country, the Board had finally reached an agreement regarding the agenda for UNCTAD VII. This was a crucial step for the success of that important conference for, although the text was a compromise, it would at least allow the secretariat to proceed with the necessary preparatory work. While the agreement was an important step forward, it was only a first step; there were more important and arduous tasks ahead in relation to such subjects as the world economic situation and North-South co-operation. The key issue was whether the regional Groups could co-operate in face of the gravity of the economic situation, exhibiting the needed political will and adopting the necessary corrective measures.

908. The Secretaty-General of UNCTAD said that it was a source of great satisfaction to the secretariat that the Board had approved a provisional agenda for UNCTAD VII. This opened the way for the secretariat to mobilize its capacities fully in the substantive preparations for the Conference.

909. The preparation of documentation for UNCTAD VII would be the main focus of the secretariat's substantive work in the coming months. He looked forward to exchanging views with member States on the subject of the documentation and would keep them informed of progress through his monthly consultations.

910. He had been encouraged by the attention paid to the secretariat's documentation during the current session. Some remarks by delegations had been complimentary, some not. The secretariat welcomed all comments, particularly when they conveyed constructive criticism from which it could learn. Yet he regretted that some criticism of the documentation had been couched in terms which appeared to direct it at particular members or units of the secretariat. The UNCTAD secretariat was a unified secretariat and it would be appropriate if all criticism of its work were addressed to the Secretary-General, as its executive head.

911. The President observed that the adoption of an agreement on the agenda for UNCTAD VII, after lengthy discussions marked by major divergences, had been due to the triumph of the principles of co-operation and democracy. Each delegation had stated its position, but the majority view had been adopted and he hoped that spirit would continue to inform preparations for UNCTAD VII.

Chapter IX

PROCEDURAL MATTERS, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

(Agenda items 1, 10 and 12)

A. Opening of the session

912. The thirty-third session of the Trade and Development Board was opened on 1 September 1986 by the outgoing President, Mr. Witold Jurasz (Poland).

B. Election of officers

(Agenda item 1 (a))

913. At the 691st (opening) meeting, on 1 September 1986, the Board elected its Bureau as follows:

President:	Mr. Saad Alfarargi (Egypt)
Vice-Presidents:	Mr. Ronald D. Flack (United States of America)
	Mr. Erich Hochleitner (Austria)
	Mr. Galo Leoro Franco (Ecuador)
	Mr. Alan Oxley (Australia)
	Mr. Mikhail Pankine (Union of Soviet Socialist Republics)
	Mr. Gerald Philipp (German Democratic Republic)
	Mr. John A. Sankey (United Kingdom of Great Britain and Northern Ireland
	Mr. Enrique Ter Horst (Venezuela)
	Mr. Benson O. Tonwe (Nigeria)
	Mr. Kazimir Vidas (Yugoslavia)
Rapporteur:	Miss Lina Tukan (Jordan)

C. Treatment of new States members of UNCTAD for purposes of elections

(Agenda item 10 (a))

914. At the 692nd meeting, on 1 September 1986, the Board took note that the membership of UNCTAD remained unchanged and stood at 168.

D. Announcement of any changes in the membership of the Board and election to membership of main committees

(Agenda item 10 (b))

915. At the 691st meeting, on 1 September 1986, the President announced that, in accordance with paragraphs 5 and 7 of General Assembly resolution 1995 (XIX), as amended, Zimbabwe had communicated to the Secretary-General of UNCTAD its intention to become a member of the Board. The membership of the Board thus stood at 130.

916. At the same meeting, Zambia, was elected to membership of the Committee on Manufacturers.

917. At the 702nd meeting, on 3 October 1986, Portugal was elected to membership of the Committee on Transfer of Technology.

E. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

918. At the 691st meeting, on 1 September 1986, the Board adopted as its agenda for the thirty-third session the provisional agenda which it had approved at its thirty-second session, with the introduction of two subitems under item 7. The agenda as adopted (TD/B/1099) is reproduced in annex I below.

919. At the same meeting, the Board broadly endorsed the suggestions for the organization of the work of the session made by the secretariat (in TD/B/1099/Add.2) and decided to establish two sessional committees. Sessional Committee I would consider and report on items 2, 7, 8(a) and 9. Sessional Committee II would consider and report on item 6. It further decided to establish a President's Contact Group.

1. Report of Sessional Committee I

920. At the 1st meeting of Sessional Committee I, Mr. K. Nanao (Japan) was elected Chairman and Mr. M. Somol (Czechoslovakia) was elected Vice-Chairman-cum-Rapporteur.

921. Sessional Committee I held eight meetings.

Action by the Board

922. At the 702nd meeting, on 3 October 1986, the Board took note of the report of Sessional Committee I and decided that it should be incorporated in the report of the first part of its thirty-third session.

2. Report of Sessional Committee II

923. At the 1st meeting of Sessional Committee II, Mr. M. Paszynski (Poland) was elected Chairman and Mr. J. Muñoz (Peru) was elected Vice-Chairman-cum-Rapporteur.

924. At the 2nd meeting, the Sessional Committee decided to establish an open-ended Contact Group of the Chairman to conduct negotiations on the informal text annexed to Conference decision 145 (VI) and to discuss any other proposals that might be put forward.

925. Sessional Committee II held four meetings.

926. In addition to the deliberations in the Sessional Committee, bilateral and multilateral consultations were held during the Board session between interested countries, in accordance with Conference resolution 95 (IV), section VI, paragraph 10.

Action by the Board

927. At the 700th meeting on 10 September 1986, the Board took note of the report of Sessional Committee II and decided that it should be incorporated in the report of the first part of its thirty-third session.

F. International Year of Peace

928. At the 691st meeting, the Board took note that General Assembly resolutions 37/16 and 40/3 had proclaimed 1986 as the International Year of Peace, one of the main objectives of which, as stated in the guidelines for the Programme of the International Year of Peace, was to promote peace, international security and co-operation on the basis of the Charter of the United Nations. Resolution 40/3 had invited all States and organizations of the United Nations system to co-operate with the Secretary-General in achieving the objectives of the International Year of Peace.

929. In this connection, the President recalled the statement on the world economic situation adopted by the Conference at its sixth session which, recognizing the interrelationship between peace and development had pointed out that "Durable peace can best be assured by narrowing the economic disparities between nations. Sustained global development and a viable international economic order in turn require an atmosphere of peace, and the adoption of disarmament measures that will release sorely needed resources for development".

930. The President also announced that the UNCTAD secretariat planned to organize a special "Seminar on Peace and Contemporary Problems of Trade and Development" as a contribution to the Programme of the International Year of Peace.

G. Membership and attendance

931. The following States members of UNCTAD, members of the Board, were represented at the session: Afghanistan; Algeria; Angola; Argentina; Australia; Austria; Bahrain; Bangladesh; Belgium; Bhutan; Bolivia, Brazil, Bulgaria; Burma; Burundi; Byelorussian Soviet Socialist Republic; Cameroon; Canada; Chile; China; Colombia; Costa Rica; Côte d'Ivoire; Cuba; Cyprus; Czechoslovakia; Democratic People's Republic of Korea; Democratic Yemen; Denmark; Dominican Republic; Ecuador; Egypt; El Salvador; Ethiopia; Finland; France; German Democratic Republic; Germany, Federal Republic of; Ghana; Greece; Guatemala; Guinea; Honduras; Hungary; India; Indonesia; Iran (Islamic Republic of); Iraq; Ireland; Israel; Italy; Jamaica; Japan; Jordan; Kenya;

Kuwait; Lebanon; Liberia; Libyan Arab Jamahiriya; Liechtenstein; Luxembourg; Madagascar; Malaysia; Malta; Mexico; Mongolia; Morocco; Nepal; Netherlands; New Zealand; Nicaragua; Nigeria; Norway; Oman; Pakistan; Panama; Peru; Philippines; Poland; Portugal; Qatar; Republic of Korea; Romania; Saudi Arabia; Senegal; Singapore; Somalia; Spain; Sri Lanka; Sudan; Sweden; Switzerland; Syrian Arab Republic; Thailand; Trinidad and Tobago; Tunisia; Turkey; Uganda; Ukrainian Soviet Socialist Republic; Union of Soviet Socialist Republics; United Arab Emirates; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Uruguay; Venezuela; Viet Nam; Yemen; Yugoslavia; Zaire; Zimbabwe.

932. The following other States members of UNCTAD, not members of the Board, were represented at the session: Democratic Kampuchea; Holy See; Lesotho.

933. The Palestine Liberation Organization participated pursuant to General Assembly resolution 3237 (XXIX). The African National Congress of South Africa, Pan Africanist Congress of Azania participated pursuant to General Assembly resolution 3280 (XXIX). The South West Africa People's Organization participated pursuant to General Assembly resolution 31/152.

934. The United Nations Development Programme was represented at the session. The International Trade Centre UNCTAD-GATT was also represented.

935. The following specialized and related agencies were represented at the session: International Labour Organisation; Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization; International Civil Aviation Organization; World Bank; International Monetary Fund; World Intellectual Property Organization; United Nations Industrial Development. The International Atomic Energy Agency was also represented at the session. The General Agreement of Tariffs and Trade was also represented at the session.

936. The following intergovernmental organizations were represented at the session: Association of Iron Ore Exporting Countries; Commonwealth Secretariat; Council for Mutual Economic Assistance; European Economic Community; European Free Trade Association; League of Arab States; Organisation for Economic Co-operation and Development; Organization of African Unity; Permanent Secretariat of the General Treaty on Central American Economic Integration.

937. The following non-governmental organisations were represented at the session:

General Category: Friends World Committee for Consultation (Quakers); International Bar Association; International Chamber of Commerce; International Co-operative Alliance; International Confederation of Free Trade Unions; International Council of Women; International Foundation for Development Alternatives; World Federation of Trade Unions; World Veterans Federation.

Special Category: International Air Transport Association; International Association of Islamic Banks.

H. Membership of the Working Party on the Medium-term Plan and the Programme Budget for 1987

(Agenda item 10 (c))

938. At the 694th meeting, on 3 September 1986, the Board decided that in 1987 the membership of the Working Party on the Medium-term Plan and the Programme Budget would consist of the following 19 States:

Bahrain; Bangladesh; Bulgaria; Canada; China; Colombia; Egypt; German Democratic Republic; Ireland; Italy; Japan; Nicaragua; Peru; Philippines; Senegal; Somalia; Sweden; Union of Soviet Socialist Republics; United States of America.

I. Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure

(Agenda item 10 (d))

939. At the 693rd meeting, on 2 September 1986, the Board noted that no application had been received under this sub-item.

J. Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure

(Agenda item 10 (e))

940. At the 693rd meeting, on 2 September 1986, and the 698th meeting, on 8 September 1986, the Board approved the applications by the following non-governmental organizations 1/ for designation under rule 79 of the rules of procedure of the Board for the purposes of that rule and rule 81 of the rules of procedure of the Conference and decided, in accordance with the recommendation of the Secretary-General of UNCTAD (TD/B/1115 and Add.1), that they should be classified as follows:

Special Category for the UNCTAD organ indicated (other than the Board)

	UNCTAD organ
International Ocean Institute 6/	Committee on Shipping
Ibero-American Ports and Coasts Association 7/	Committee on Shipping
Multiport Ship Agencies Network 8/	Committee on Shipping

941. At the 693rd meeting, the Board approved, in accordance with the recommendation of the Secretary-General, the reclassificaton of the International Cocoa Trades Federation, which had been granted "Special" Category status to follow the work of the Committee on Commodities and the Committee on Economic Co-operation among Developing Countries, to the "General" Category for the purposes of rule 79 of its rule of procedure and in accordance with the terms of paragraph 12 (a) of Board decision 43 (VII).

942. At the 698th meeting, on 8 September 1986, the Board noted, with respect to the application of the International Union of Students (IUS) for inclusion in the list provided for under rule 79 of the rules of procedure (TD/B/R.44), the recommendation of the Bureau that the question be discussed at a future session of the Board in the light of consultations.

K. Review of the question of the timely issuance of UNCTAD documentation in all official languages and the rational use of conference resources

(Agenda item 10 (f))

943. Under this item, the Board had before it a note by the UNCTAD secretariat on the review of the question of the timely issuance of UNCTAD documentation in all official languages and the rational use of conference resources (TD/B/L.808). Consideration of this item was referred to informal consultations.

944. At the 700th meeting, on 10 September 1986, the representative of France introduced a draft decision (TD/B/L.811/Rev.1) which he had submitted in the light of the informal consultations. He said that his delegation had taken the initiative in this respect, in view of the fact that the situation as regards the timely issuance of documentation, the translation of documents into the various languages, and the presence of interpretation services at meetings, still remained unsatisfactory - and was even tending to deteriorate, owing to the financial crisis of the Organization. It thus seemed appropriate to raise these questions once more in the Board, as the question was not simply one of compliance with the Board's own rules of procedure, but rather one of enabling delegations to do their work in a proper manner. The basic objective of the draft decision was to encourage all parties concerned - the UNCTAD secretariat, the United Nations Office at Geneva, and delegations, too - to work together in a co-operative spirit to develop ways and means of making the Board's work more effective.

945. In submitting this draft, his delegation had sought the support of a broad range of States members of the Board and thus had been responsive to a number of suggestions made during informal consultations. His own delegation would have preferred more specific language regarding possible measures to facilitate the timely processing and translation of documents. It would also have preferred a reference in the text, along the lines of General Assembly resolution 33/56, to the need to avoid duplication among documents and the need for conciseness.

946. In conclusion, he noted that the co-sponsors of the draft decision now included, in addition to his own delegation and those of Spain and Ireland, the following countries: Argentina, Bolivia, Canada, Chile, China, Colombia, Côte d'Ivoire, Dominican Republic, Egypt, Ecuador, El Salvador, Saudi Arabia, Senegal and Uruguay.

Action by the Board

947. At the same meeting, the Board adopted the draft decision in document TD/B/L.811/Rev.1, noting the list of sponsors indicated by the representative of France (for the text, see part I above, decision 340 (XXXIII)).

L. Scheduling of sessions of the Board

(Agenda item 10 (g))

948. At its 694th meeting, on 3 September 1986, the Board heard an oral report by Mr. Witold Jurasz (Poland), President of the Board at its thirty-second session, on the contacts he had had with the President of the General Assembly and the President of the Economic and Social Council, in pursuance of Board decision 333 (XXXII) of 21 March 1986.

949. He informed the Board that, by ECOSOC decision 1986/119 of 19 May 1986, the Secretary-General of UNCTAD was authorized to transmit the report of the Trade and Development Board on its thirty-third session direct to the General Assembly but that the question of rearranging the regular sessions of the Economic and Social Council remained unresolved.

950. At the same meeting the Board agreed to a proposal by the President that further consideration of the matter should be pursued informally.

951. At the 699th meeting, on 9 September 1986, the President drew attention to the report by the Chairman of the Informal Working Group on the Scheduling of the Regular Sessions of the Board (TD/B/1113). He then introduced a draft decision (TD/B/L.813), which he submitted following informal consultations and by which the Board would change the pattern of its sessions as from the thirty-third session.

Action by the Board

952. At the 699th meeting, the Board adopted the draft decision submitted by the President (for the text, see Part I above, decision 338 (XXXIII)).

M. Provisional agendas for the thirty-fourth regular and sixteenth special sessions of the Board and organization of the work of the sessions

(Agenda item 1 (d))

953. At the 700th meeting, on 10 September 1986, the Board:

(a) Took note that the fifteenth special session of the Board, on compensatory financing, scheduled for the autumn of 1986, had not been held because the Intergovernmental Group of Experts on Compensatory Financing of Export Earnings Shortfalls had not completed its work, and authorized a further session of the Intergovernmental Group, in the second quarter of 1987, and subsequently a special session of the Board, the sixteenth, to be held after the seventh session of the Conference, to deal with compensatory financing;

(b) Took note that the fifteenth special session of the Board would deal with matters concerning the seventh session of the Conference;

(c) Authorized the approval in the consultations of the Secretary-General of UNCTAD, pursuant to Board decision 338 (XXXIII) of 9 September 1986, of the provisional agenda for the fifteenth special session of the Board.

954. At the 702nd meeting, on 3 October 1986, the Board approved the revised provisional agenda for the second part of its thirty-third session 9/ having authorized the President, in consultation with the Secretary-General of UNCTAD, to adjust it as appropriate in the light of developments. The Board further requested the Secretary-General of UNCTAD to consult with delegations regarding the organization of the work of the second part of the session and to circulate his suggestions thereon.

N. Review of the calendar of meetings

(Agenda item 10 (h))

955. Under this item, the Board had before it a note by the UNCTAD secretariat (TD/B/L.807), containing suggestions for adjustment in the calendar of meetings for the remainder of 1986; a draft calendar of meetings for 1987; and tentative schedules of meetings for the biennium 1988-1989.

Action by the Board

956. At the 702nd meeting, on 3 October 1986, the Board took note of the suggestions by the secretariat in document TD/B/L.807 and approved a revised calendar of meetings for the remainder of 1986 (see part I above, decision 342 (XXXIII)).

O. Adoption of the report on credentials

(Agenda item 1 (c))

957. At the 700th meeting, on 10 September 1985, the Board adopted the report of the Bureau on credentials (TD/B/1117).

958. The representative of China stated with regard to the credentials of the delegation of Afghanistan that the position of the Chinese delegation as expressed during the fortieth session of the General Assembly remained unchanged.

959. The representative of Pakistan stated that his delegation wished to place on record its reservations with regard to the representation of Afghanistan for the reasons stated by Pakistan in the General Assembly.

960. The representative of Afghanistan, referring to paragraph 4 of the report of the Bureau on credentials and the statements by the representatives of China and Pakistan, reaffirmed the position of the Government of Afghanistan in this respect as expressed during the fortieth session of the General Assembly.

P. Administrative and financial implications of the actions of the Board

(Agenda item 10 (i))

961. No administrative or financial implications were before the Board.

Q. Adoption of the report of the Board

(Agenda item 12)

962. At the 702nd meeting, on 3 October 1986, the Board adopted the draft report on the first part of its thirty-third session (TD/B/L.810 and Add.1-12) and authorized the Rapporteur to complete the final version as appropriate. The Board further authorized the Rapporteur, under the authority of the President, to prepare, in accordance with the guidelines contained in its decision 302 (XXIX) of 21 September 1984, the report of the Board to the General Assembly at its forty-first session.

R. Closure of the first part of the thirty-third session

963. At the 702nd meeting, on 3 October 1986, the President declared closed the first part of the thirty-third session of the Board.

Notes

1/ UNCTAD/TDR/6; United Nations publication, Sales No. E.86.II.D.5.

2/ "Protectionism trade relations and structural adjustment" (TD/274), in Proceedings of the United Nations Conference on Trade and Development, Sixth session, vol. III, Basic Documents (United Nations publication, Sales No. E.83.II.D.8).

3/ See TD/B/1116.

4/ It was agreed at the 702nd meeting that a statement to be submitted subsequently, supplementing this explanation, would be annexed to the report of the Board (see annex VI below).

5/ Further to Trade and Development Board decision 321 (XXXI).

6/ The applications by these non-governmental organizations together with information on their history, structure and functioning, are contained in documents TD/B/R.46/Addenda 1-3 respectively (derestricted).

7/ Application approved at the 693rd meeting.

8/ Application approved at the 698th meeting.

9/ See annex IV.

Annex I

AGENDA FOR THE FIRST PART OF THE THIRTY-THIRD SESSION OF THE TRADE AND DEVELOPMENT BOARD a/

1. Procedural matters:

   (a) Election of officers

   (b) Adoption of the agenda and organization of the work of the session

   (c) Adoption of the report on credentials

   (d) Provisional agendas for the thirty-fourth regular and sixteenth special sessions of the Board and organization of the work of the sessions

2. Specific matters arising from the resolutions, recommendations and other decisions adopted by the Conference at its sixth session requiring attention or action by the Board at its thirty-third session

3. Interdependence of problems of trade, development finance and the international monetary system

4. Debt and development problems of developing countries

5. Seventh session of the United Nations Conference on Trade and Development: preparations for the session

6. Trade relations among countries having different economic and social systems and all trade flows resulting therefrom

7. Matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies:

   (a) Commodities

   (b) Manufactures and semi-manufactures

8. Other matters in the field of trade and development:

   (a) Specific action related to the particular needs and problems of land-locked developing countries

   (b) Export promotion: report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its nineteenth session

   (c) Progressive development of the law of international trade: nineteenth annual report of the United Nations Commission on International Trade Law

9. Programme evaluation in UNCTAD

10. Institutional, organizational, administrative and related matters:

    (a) Treatment of new States members of UNCTAD for purposes of elections

    (b) Announcement of any changes in the membership of the Board and election to membership of main Committees

    (c) Membership of the Working Party on the Medium-term Plan and the Programme Budget for 1987

    (d) Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure

    (e) Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure

    (f) Review of the question of the timely issuance of UNCTAD documentation in all official languages and the rational use of conference resources (Board resolution 282 (XXVIII) and General Assembly resolution 40/243, section II, para. 3)

    (g) Scheduling of sessions of the Board

    (h) Review of the calendar of meetings

    (i) Administrative and financial implications of the actions of the Board

11. Other business

12. Adoption of the report of the Board

Note

a/ Adopted by the Board at its 691st meeting, on 1 September 1986.

Annex II

PRESIDENT'S SUMMARY AND CONCLUSIONS IN RESPECT OF AGENDA ITEMS 3 AND 4 a/

1. The debate of items 3 and 4 - Interdependence of problems of trade, development finance and the international monetary system, and debt and development problems of developing countries - at the thirty-third session of the Trade and Development Board was rich and detailed. The Trade and Development Report, 1986 was once again welcomed as a useful analysis of the nature and extent of the interdependence that exists among countries, among the problems of the monetary, financial and trading systems (including the world commodity economy) and between the development crisis and global economic trends.

2. While the roles played by domestic and external factors respectively continued to be assessed differently by different groups of countries the debate revealed widespread agreement that world economic conditions were an important influence on even the largest economies. In particular, it was recognized that, not least because of their indebtedness, the trade and development performance of developing countries are vulnerable to the policies and performance of industrialized countries, via their impact on demand for primary commodities, access to markets, and interest rates, etc.

3. A sharpened international awareness of interdependence was found in the consensus that had emerged in the course of the previous year that growth must be placed at the centre of the strategy of debt, and in the recognition given by the major market economies to the need to co-ordinate macro-economic policies. It was felt that, while these advances provided a window of opportunity, they had not been translated into action. The treatment of debt continued to under-rate the importance of the external environment, while the focus of the intensified consultations among the major market economies remained restricted to the imablances within and among those countries.

4. Many countries thus saw an urgent need for a fuller co-operative effort, involving all countries to revitalize world growth and trade, improve the international environment for development, and achieve a just solution to the debt problem.

5. While recovery in the developed market economies had become more even in 1985 and nominal interest rates had fallen, growth rates had been levelled down rather than up, and real interest rates had remained high. Although some developing countries had registered rapid expansion, and output in sub-Saharan Africa ceased to fall, growth in developing countries as a whole had fallen, largely because of the further worsening of their terms of trade and the stagnation of their export markets. Moreover, many developing countries continued to suffer massive net outflows of resources and to receive inadequate amounts of official development assistance.

6. It was recognized that developed market economies had achieved a major success with regard to inflation. However, many saw the world economy as being beset by deflationary pressures. In particular, it was stressed that commodity markets were glutted, with non-oil commodity prices down to their

lowest level since the Great Depression, and oil prices having collapsed. It was pointed out that these factors accounted for much of the disinflation achieved by developed market economy countries.

7. The past year had seen substantial declines in the dollar and in oil prices, and steps were being taken to cut the United States budget deficit. It was noted that the United States budget cuts would reduce the overall pace of demand creation, and that, thus far, the dollar and oil-price delines had shifted the geographic distribution of incomes and expenditures, rather than added to their levels. The impact of the export earnings of developing countries was uneven and on the whole negative: the debt burdens of energy importers were being somewhat lightened, but those of many energy-exporting developing countries were being intensified. The dollar depreciation was expected to help lessen protectionist sentiment and current account imbalances, but the risks of continued erosion of the international trading system and of proliferation of trade restricting measures and protectionism remained high.

8. It was noted that an acceleration of non-inflationary growth was a major policy objective, and thus medium-term strategies needed to be applied flexibly. It was widely felt that there was now ample scope as well as need for expansion. Many speakers called for more active co-ordination of macro-economic policies geared towards correcting current account imbalances among developed countries in a manner that would promote the trade and development of developing countries, in particular by lowering interest rates, strengthening demand for primary and other commodities, and rolling back protectionism.

9. It was recognized that, while some of the recent changes in the main macro-economic variables ha' improved the outlook for a number of developing countries, the overall outlook remained poor, most notably for the least developed countries and sub-Saharan African countries, and the energy exporters. Prospects for the future depended critically on the evolution of external markets, the terms of trade, and interest rates, as well as on the trade policies of the developed countries and on the level of financial inflow from official and private sources.

10. It was therefore stressed that the efforts by developing countries to adjust through development should be accompanied by policies in developed market-economy countries designed to improve the external variables.

11. Equally, notwithstanding any relaxation of the external constraints, developing countries should persist with, or strengthen when appropriate, structural policies designed to raise savings and investment; improve the efficiency of resource use; strengthen private and public enterprises, etc. in a manner consistent with social objectives, including living standards.

12. It was agreed that structural policies needed to be pursued, no less, by developed countries, in order to sustain rapid rates of growth and to adjust patterns of production and trade in response to a structural adjustment by developing countries, to curtail payments imbalances, etc.

13. It was noted that the socialist countries of Eastern Europe were in the process of bringing about structural adjustment and reforms in their economies, on a national level and within the framework of the Council for Mutual Economic Assistance. This process would increase the efficiency of their economies, allow them to participate more fully in the international division of labour, and enhance mutually beneficial international economic co-operation.

Note

a/ Annexed by decision of the Board at its 701st meeting. See para. 637 above.

Annex III

SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT: PREPARATIONS FOR THE SESSION

A. First oral report by the Secretary-General of UNCTAD, at the 701st meeting on 10 September 1986, on his consultations pursuant to Board decisions 336 (XXXII) and 337 (XXXII) a/

1. At the second part of its thirty-second session, the Trade and Development Board considered an oral report by the Secretary-General of UNCTAD on his informal consultations on the provisional agenda of the seventh session of the Conference. In its decision 336 (XXXII) the Board requested the Secretary-General to hold further consultations on the subject, as well as to initiate informal consultations on the organization of the Conference, and to report on the results to the Board at its thirty-third session.

2. In decision 337 (XXXII), the Board took note of the oral report of the Secretary-General on his informal consultations on the place, date and duration of the seventh session of the Conference and requested him to hold further consultations on the subject and report thereon to the Board at its thirty-third session.

3. In response to those two decisions, the Secretary-General has held informal consultations with representatives of regional groups during July and in the period since 25 August. During the current session of the Board, informal exchanges were also arranged by the President of the Board, on the matters referred to in the two decisions, with representatives of regional groups and with the participation of the Secretary-General.

(i) Provisional agenda for the seventh session (Board decision 336 (XXXII))

4. Taking into account the points of convergence that have emerged from his consultations, the Secretary-General suggests to the Board for its consideration, in accordance with paragraph 21 of General Assembly resolution 1995 (XIX), as amended, rule 4 of the rules of procedure of the Conference and rule 32 of the rules of procedure of the Trade and Development Board, the following list of items for the provisional agenda of the Conference at its seventh session:

1. Opening of the Conference

2. Election of the President

3. Constitution of sessional bodies

4. Election of Vice-Presidents and the Rapporteur

5. Credentials of representatives to the Conference:

   (a) Appointment of the Credentials Committee

   (b) Report of the Credentials Committee

6. Adoption of the agenda

7. General debate

8. Revitalizing development, growth and international trade, in a more predictable and supportive environment, through multilateral co-operation: assessment of relevant economic trends and of global structural change, and appropriate formulation of policies and measures, addressing key issues in the following interrelated areas:

   (a) Resources for development, including financial and other resources, and related questions;

   (b) Commodities;

   (c) International trade;

   (d) Problems of the least developed countries, bearing in mind the Substantial New Programme of Action for the 1980s for the Least Developed Countries

9. Other business

10. Adoption of the report of the Conference to the General Assembly

5. The Secretary-General suggests that the above list of items be read and considered in conjunction with the following understandings which he has discerned among participants in the consultations, in addition to the understandings reported by him to the Board at the second part of its thirty-second session:

Item 7:

(a) Statements by heads of delegations in the general debate would be expected to focus on the subject-matter of item 8.

Item 8 (chapeau):

(b) The formulation relating to "a more predictable and supportive environment" is intended to subsume the interest of many delegations in referring to the need for security, dependability and confidence-building in the world economic environment, as well as for equity and justice in international economic relations.

(c) "Assessment" will be, to the extent possible, a common assessment by the States participating in the seventh session and may also include statements of divergent assessments with regard to matters on which consensus is not reached. "Assessment" should precede the "appropriate formulation of policies and measures". The areas for assessment and action need not be coterminous, i.e. the coverage of assessment and action respectively need not be identical.

(d) The formulation of the second part of theme ("Assessment ... areas:") permits such assessment of, and action on, national economic factors, policies and measures as may be relevant and appropriate.

(e) In the assessment of relevant economic trends, due attention should be paid to the role of the private sector, subject to national economic systems, development objectives and policies.

Sub-items 8 (a) - 8 (d):

(f) Sub-item 8 (c) - "international trade" - includes issues arising in trade relations among countries having different economic and social systems.

(ii) Organizational aspects of preparations for the seventh session (Board decision 336 (XXXII))

6. The Secretary-General believes that there is a broad measure of agreement on the following parameters which would guide the preparations for the seventh session and commends them to the Board for its approval:

(a) The preparation of the Conference should be viewed as a continuous process, of which the Conference itself would be the culmination. This process has already begun with the current discussions on the formulation of the Conference agenda.

(b) Without prejudice to his responsibility for the substantive content of the documentation for the Conference, the Secretary-General hopes to benefit from and take into account, as appropriate, exchanges of views with member States on the issues to be covered.

(c) The preparatory process should include an intensive phase of intergovernmental preparations centred on the Trade and Development Board. Delegations should complete their own preparations in their respective groups as appropriate, in the light of the secretariat documentation, and be in a position to interact on their respective views and proposals.

(d) Whatever organizational arrangements are adopted for the Conference itself, it would be highly desirable to secure the presence of Ministers in the final phase, so that they may contribute to the negotiation and settlement of major outstanding issues. In order to facilitate such ministerial participation, the major part of the "assessment", provided for in the proposed theme for the Conference, and of the policies and measures to be developed by the Conference, would have been settled in advance, and only a few major issues would be left for consideration by Ministers.

7. The Secretary-General proposes that the number, structure and functions of sessional bodies of the Conference be considered at a later stage.

(iii) Place, date and duration of the session (Board decision 337 (XXXII))

8. The Board is required to make a recommendation to the General Assembly in accordance with paragraphs 2 and 21 of General Assembly resolution 1995 (XIX), as amended, rule 1 of the rules of procedure of the Conference and rule 32 of the rules of procedure of the Trade and Development Board, as to the appropriate place and date for convening the seventh session of the Conference.

9. Further to his oral report on this matter to the Board at the second part of its thirty-second session, the Secretary-General has discerned the following understandings concerning the date and duration of the session and the related question of its structure:

(a) The session should be divided into two phases: a senior officials phase, followed by a ministerial phase of one week;

(b) The overall duration of the two phases should be of about three weeks;

(c) The interval between the two phases should be as short as possible;

(d) The two phases of the session should be held within the period from 6 to 31 July 1987.

10. Consultations are continuing with regard to the question of the venue of the seventh session.

B. Second oral report by the Secretary-General of UNCTAD on his consultations pursuant to Board decisions 336 and 337 (XXXII) b/

11. On 10 September 1986, the Secretary-General of UNCTAD presented an oral report to the Board, at its 701st meeting, (reproduced in section A above) on the consultations held by him pursuant to Board decisions 336 (XXXII) and 337 (XXXII) concerning the provisional agenda, place, data and duration of the seventh session of the Conference and related organizational matters. At the same meeting, the President called for further intensive consultations to take place with a view to reaching agreement on these matters by consensus at the resumption of the Board's session on 3 October 1986.

(i) Provisional agenda for the seventh session (Board decision 336 (XXXII))

12. The Secretary-General is pleased to report that the consultations undertaken since the 701st meeting of the Board on 10 September have resulted in a meeting of minds on the provisional agenda for the Conference which is reflected in the draft decision to be submitted shortly by the President.

13. It has been agreed in the consultations that, before the President submits his proposal for the approval of the Board, this oral report should clarify two points relating to the treatment of issues covered by the proposed provisional agenda.

- Treatment of national economic policies

14. The first point relates to the treatment of national economic policies. It is the Secretary-General's understanding that the participants in the consultations agreed that the assessment of relevant economic trends and global structural change, to be undertaken by the Conference in accordance with item 8 of the proposed provisional agenda, will take into account the role of national economic policies as may be relevant and appropriate. The Secretary-General can, therefore, confirm that the secretariat will address this national dimension in its documentation in support of that assessment and

will be guided in doing so by the mandate assigned to UNCTAD by General Assembly resolution 1995 (XIX). The Secretary-General would also like to recall in this connection that the Agreed Conclusions of the Committee on Review and Appraisal of the Implementation of the International Development Strategy for the Third United Nations Development Decade, adopted in September 1985, stated that "continuing analysis is required ... of the implications of different development policies".

- Treatment of the role of the private sector in development

15. The second point which the Secretary-General has been asked to clarify concerns the treatment of the role of the private sector in development, which is referred to in the first "understanding" in annex II of the President's proposal. In this context, it is understood that it is the right of each country to choose its own economic and social system.

(ii) Organizational aspects of the seventh session and of the preparatory process (Board decision 336 (XXXII))

16. The Secretary-General believes that there is need for further consultations before firm decisions can be reached concerning the organization of the preparatory process leading to the seventh session of the Conference and the organization of the session itself, including the number, structure and functions of sessional bodies of the Conference. The Secretary-General wishes to recall, in this connection, the parameters for the preparatory process for the seventh session, indicated in his previous oral report to the Board (TD/B/L.810/Add.10, annex, para. 6).

(iii) Place, date and duration of the seventh session (Board decision 337 (XXXII))

17. Operative paragraph 3 of the draft decision to be submitted by the President contains a recommendation to the General Assembly concerning the place, date and duration of the seventh session. The Secretary-General wishes to record that, in discussing this recommendation, participants in the consultations took account of concerns expressed about the possible overlap in time and place of the seventh session of the Conference and the 1987 summer session of the Economic and Social Council.

Notes

a/ See para. 638 above.

b/ See para. 659 above.

Annex IV

REVISED PROVISIONAL AGENDA FOR THE SECOND PART OF THE THIRTY-THIRD SESSION OF THE BOARD a/

1. Procedural matters:

   (a) Adoption of the revised agenda and organization of the work of the second part of the session

   (b) Adoption of the report on credentials

   (c) Provisional agenda for the thirty-fourth regular session of the Board and organization of the work of the session

   (d) Designation of the President of the thirty-fourth regular session of the Board

2. Specific matters arising from the resolutions, recommendations and other decisions adopted by the Conference at its sixth session requiring attention or action by the Board at the second part of its thirty-third session

3. Protectionism and structural adjustment

4. Seventh session of the United Nations Conference on Trade and Development

5. Matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies

6. Other matters in the field of trade and development

   (a) Technical co-operation among developing countries: co-operative exchange of skills among developing countries (Board decision 327 (XXXII))

   (b) Preparations for the global review and appraisal of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries (Board decision 329 (XXXII))

   [To be completed in the light of decisions taken by the Board at the first part of its thirty-third session and of other developments]

7. Trade relations among countries having different economic and social systems and all trade flows resulting therefrom

8. UNCTAD's contribution to the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990

9. Institutional, organizational, administrative and related matters:

   (a) Treatment of new States members of UNCTAD for purposes of elections

   (b) Announcement of any changes in the membership of the Board and election to membership of main Committees

(c) Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure

(d) Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure

(e) Review of the calendar of meetings

(f) Administrative and financial implications of the actions of the Board

( ) [To be completed in the light of decisions taken by the Board at the first part of its thirty-third session and of other developments]

10. Other business

11. Adoption of the report of the Board

Note

a/ See para. 954 above.

Annex V

TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS AND ALL TRADE FLOWS RESULTING THEREFROM

Summary by the Chairman of Session Committee II a/

1. The Committee, in accordance with its mandate contained in paragraph 14 of Conference resolution 95 (IV) and in paragraph 1 of Board decision 186 (XIX), carried out a serious and broad-ranging debate on the issues before it.

2. In the debate and exchange of views in the Committee, the review of the implementation of Conference resolutions 15 (II), 53 (III) and 95 (IV), contained in UNCTAD secretariat report (TD/B/1103, as well as the proposals for the promotion of trade and economic co-operation among countries having different economic and social systems, with particular consideration given to the interests of developing countries (TD/B/1104), were taken into account, as reflected in the report of the Committee.

3. A broad understanding has emerged that a process should be continued, leading to the adoption of proposals conducive to the promotion of trade and economic co-operation among countries having different economic and social systems, with particular consideration given to the interests of developing countries, based on a pragmatic approach and reflecting the recognition of the changes that have taken place in this field since the adoption of the Conference resolution 95 (IV), as well as prospects for the later 1980s and early 1990s.

4. In this connection and as a result of an exchange of views regarding the convocation of an ad hoc group of experts as provided for in paragraph 3 of Board decision 321 (XXXI), it was agreed that the meeting of the group should take place in January 1987 and that it should contribute, first and foremost, to the consideration of the proposals referred to in paragraph 3 above.

5. The group should reflect on all papers submitted for consideration to Sessional Committee II at the thirty-third session of the Trade and Development Board, as well as all views expressed in its deliberations, in order to arrive at the identification of result-oriented measures and give a fresh impetus to the further expansion of trade and economic co-operation between the different groups of countries, with particular consideration given to the interests of developing countries.

6. The results of the work of the group should be reported at the next session of the Board dealing, inter alia, with matters concerning trade among countries having different economic and social systems.

7. The UNCTAD secretariat is expected to continue work undertaken pursuant to Board decision 321 (XXXI) on the elaboration of proposals for the promotion of trade and economic co-operation among countries having different economic and social systems, with particular consideration being given to the interests of developing countries, taking into account comments made on them during the deliberations of Sessional Committee II at the thirty-third session of the Trade and Development Board.

8. The Committee noted the development of UNCTAD's programme of technical assistance aimed at expanding and facilitating trade of the developing countries with the socialist countries of Eastern Europe and recognized the need for the further strengthening and enlargement of the scope and content of the programme.

9. The Committee also noted that the UNCTAD secretariat, in conformity with Board decision 321 (XXXI), has been holding consultations with UNDP for the inclusion in the fourth UNDP cycle 1987-1991 of the operational programme of technical assistance for the development of trade of the developing countries with the socialist countries of Eastern Europe on an interregional, regional and national basis.

10. The Committee reiterates its request to the Secretary-General of UNCTAD to continue consultations with the Administrator of the United Nations Development Programme and to invite also voluntary contributions for that purpose to ensure adequate financial support for the implementation of the programme and to report to the Board on the results at its next session.

Note

a/ See para. 811 above.

Annex VI

STATEMENT BY THE DELEGATION OF THE UNITED STATES OF AMERICA ON AGENDA ITEM 5 a/

Mr. President, after long and careful review by my authorities, the United States delegation has found it necessary to call for a vote on TD/B/L.815 and to cast a no vote.

Mr. President, the United States has participated in a long and hard effort to develop an agenda that would have held out the expectation that UNCTAD VII would seriously tackle the problems of development. An agenda, Mr. President, that would have reflected the realities of today's world.

My Government is of the view that the document before us fails to do this. By relegating the issues of the role of the private sector and importance of domestic policies to a secondary status it clearly signals that they are not of fundamental importance, but of only secondary importance. We continue to feel that where economic growth and development is concerned this is simply not the case and we could not therefore join in a consensus on a document that did not clearly acknowledge it. We must therefore continue to question whether we have as yet a basis for a productive UNCTAD VII.

Mr. President, let there be no mistake concerning our action today. It was meant to convey our disagreement over this document before us. It in no way indicates an abandonment of our efforts to work with UNCTAD and its members to positively change the course that the organization has followed for the past 20 years. We will continue to seek positive change. We will continue to work closely with the secretariat and other delegations to see to it that UNCTAD is not buried under the avalanche of economic change overtaking our world. We will continue to work for an UNCTAD that is current, credible and conscientious.

Thank you, Mr. President.

Note

a/ See para. 665-667 above.

كيفية الحصول على منشورات الامم المتحدة

يمكن الحصول على منشورات الامم المتحدة من المكتبات ودور التوزيع في جميع انحاء العالم . استعلم عنها من المكتبة التي تتعامل معها أو اكتب الى : الامم المتحدة ،قسم البيع في نيويورك او في جنيف .

如何购取联合国出版物

联合国出版物在全世界各地的书店和经售处均有发售。请向书店询问或写信到纽约或日内瓦的联合国销售组。

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre libraire ou adressez-vous à : Nations Unies, Section des ventes, New York ou Genève.

КАК ПОЛУЧИТЬ ИЗДАНИЯ ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ

Издания Организации Объединенных Наций можно купить в книжных магазинах и агентствах во всех районах мира. Наводите справки об изданиях в вашем книжном магазине или пишите по адресу: Организация Объединенных Наций, Секция по продаже изданий, Нью-Йорк или Женева.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Printed at United Nations, Geneva
GE.90-51543
July 1990 - 3,465

02300P

United Nations publication

ISSN 0503-4116